FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,953 Friday June 13 1986 D 8523 B

González campaigns in the name of democracy, Page 3

World news

Speakes insists: 'Salt 2 is dead'

The White House put the US firmly back on the record as regarding the Salt 2 arms control treaty as dead, after President Ronald Reagan had suggested that it might have a few more months of life yet.

Presidential spokesman Larry Speakes said: "Salt is dead. The Salt treaty no longer exists." Future US arms control decisions would be taken in the light of Soviet behaviour, and it would only be coincidental if they kept the US within the treaty's limits.

Reagan had suggested et a Wednesday night news conference that he had not yet finally decided to abandon the 1979 treaty. Page 4

Gun-run suspects

Five people arrested in Le Havre while an American couple tried to drive away a van loaded with weapons – allegedly for Irish Repnblican guerrillas – were likely to be charged with arms smuggling, judicial sources said.

EEC food aid

The European Parliament adopted a resolutioo calling for surplus EEC dairy stocks to be given to Poland for pregnant mothers and children under three after the Chernobyl N-plant disaster.

More UK jobless

UK unemployment continued to rise in May with the seasonally adjusted total reaching a record 13.3 per cent of the workforce. The rise for May was 5,600 to 3,208,600. Page 11

Blockade lifted

Spanish fisherman began removing hundreds of boats blocking the French border port of Hendaya after assurances that France and Spain would hold talks on fishing rights, maritime officials said.

Hijack finding

Palestinian leader Abu Abbas masterminded the hijacking of the Achille Lauro cruise liner last October in an effort to discredit Yassir Arafat, his rival, Italian magistrates said in report.

Syrian initiative

Syria launched an initiative in efforts to end Beirut's "camps war" by summoning Lebanese Moslem leaders for peace talks in Damascus.

Oil price forecast

Kuwaiti Oil Minister Sheikh Ali al-Khalifa al-Sabah said crude-oil prices might settle at about $17–$19 a barrel by the end of the year.

Oxford drugs charges

Three people were charged with drugs offences in Oxford after Olivia Channon, daughter of the British Trada and Industry Secretary, was found dead after a party to celebrate the end of her university exams. Another Oxford student, Count Gottfried von Bismarck, great great grandson of the German Chancellor, was released on bail but will face questioning again next month.

Soviet space plan

The Soviet Union proposed creation of an international space organisation to promote projects including, eventually, manned flights to other planets. Page 3

Waldheim disclosure

Elisabeth Waldheim, wife of Austrian president-elect Kurt Waldheim, was e member of the Nazi party for three years but left it before marrying him, a Waldheim spokesman said.

Bisque risk

A 154-year-old lobster named Conrad died in Texas from the strain of moulting. Last month, a public outcry saved him from becoming a restaurant's prize dinner.

Business summary

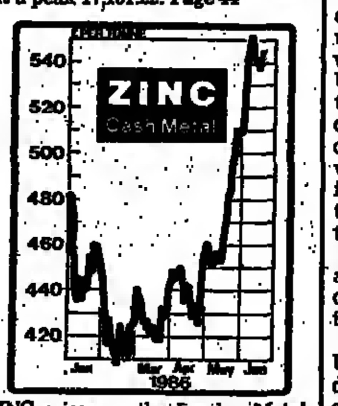
Beecham to sell non-core operations

BEECHAM, UK pharmaceuticals and consumer products company, announced plans to sell off non-core businesses to improve its financial performance and improve investor confidence. Page 21

WALL STREET: At 3pm the Dow Jones industrial average was 4.84 down at 1,841.23. Page 44

LONDON: Early signs of recovery lost momentum and the market closed little changed. The FT Ordinary share index ended 3 up at 1,304.1 while the FT-SE 100 added 0.4 to 1,571.8. Page 44

TOKYO closed at a record although concern over recent rapid rises in share prices pulled the market back from an early sharp increase. The Nikkei average added 34.77 to close at a peak 17,131.22. Page 44



ZINC prices on the London Metal Exchange regained some of the ground lost earlier in the week. The cash price finished below the day's high at £545 a tonne, up £8, having been trimmed back by profit taking. Page 38

GOLD fell $0.25 in the London bullion market to close at $347.25. It rose in Zurich to $348.50 ($347.70). In New York, the Comex August settlement was $349.8. Page 36

DOLLAR fell in London to DM 2.21 (DM 2.212); SFr 1.826 (SFr 1.8275); FFr 7.0475 (FFr 7.05) and Y165.8 (Y166.3). On Bank of England figures, the dollar's exchange-rate index fell to 114.8 from 114.9. Page 37

STERLING fell to $1.523 ($1.5265) in London. It also fell to DM 3.365 (DM 3.3775); SFr 2.78 (SFr 2.79); FFr 10.735 (FFr 10.7625) and Y252.5 (Y254). The pound's exchange-rate index fell to 76.1 from 76.5. Page 37

UK INVESTORS were offered shares in a City of London office building; the first "securitisation" of investment property in Britain. Lex, Page 20; Details, Page 21

BUNDESBANK is replacing the monthly, ublicly announced new issues calendar for D-Mark Eurobonds with private, fortnightly registration of new deals. Page 27

HEWLETT-PACKARD, US electronics group, wants to reduce its 56,000-strong US workforce by 1,500 and is offering an enhanced early retirement programme. Page 21

TWA president Richard Pearson has resigned after a power struggle et the troubled US carrier, which was acquired earlier this year by Carl Icahn, Wall Street financier. Page 21

GENSTAR: Two leading executives of the Canadian industrial conglomerate now 98 per cent owned by Imasco plan to byu out some of their company'a non-financial services assets. Page 21

SEALINK British Ferries announced a further shake-up in the cross-Channel market with its £5m purchase of Hoverspeed. Page 11

UK GOVERNMENT approved proposals to give Trade and Industry Department new powers to crack down on insider dealing.

PLATINUM prices in London soared to e three-year high following news of South Africa's state of emergency. Page 38

MALAYSIA is to open its tin market to Thai, Indonesien and Australien mines in an attempt to head off the possible opening of a rival market in Singapore. Page 38

SA renews emergency and arrests opponents

BY ANTHONY ROBINSON IN JOHANNESBURG AND PATTI WALDMEIR IN CAPE TOWN

SOUTH AFRICAN security forces have been granted virtually unlimited powers and curbs have been reimposed on media reporting of unrest after the reimposition of a state of emergency over the entire country, including the non-independent black homelands.

The emergency was formally announced by President P.W. Botha at a special joint sitting of Parliament in Cape Town yesterday afternoon but came into effect at midnight on Wednesday.

In the early hours of the morning, armed police were busy arresting black community, political and trade union leaders and churchmen and anti apartheid activists of all races.

State-run South African television announced last night that about 1,000 people had been arrested on the first day of the emergency.

In Johannesburg, police with dogs and full riot equipment backed up by soldiers bearing automatic weapons searched the offices of the United Democratic Front (UDF), the main anti-apartheid umbrella organisation, and the nearby offices of both the National Union of Mineworkers (NUM) and the recently formed trade-union super-federation Cosatu, which claims more than 500,000 members.

Similar operations were mounted against the homes of activists and organisations in towns and cities throughout the country.

The financial rand sank below 20 US cents at one point during the day's trading on the foreign-exchange market, while the commercial rand closed unchanged at 36.50 cents after dropping to 35.60 cents around mid-day.

The British Government has indicated that it is prepared to consider further measures against South Africa, but only if there is international agreement involving the leading industrialised nations, the EEC and the Commonwealth. However, Sir Geoffrey Howe, the Foreign Secretary, has emphasised the need not to rush into immediate decisions and ministers are known to oppose any unilateral UK action that might give a trading advantage with South Africa to a rival competitor, such as Japan. Page 20

The Reserve Bank intervened marginally to steady the market but exchange dealers said that the market had already discounted the expected announcement and most customers had already covered their positions. Gold and currency hedge shares moved higher again on the stock exchange on currency considerations.

Dr Gerhard De Kock, governor of the reserve bank, who is in Switzerland for a Bank for International Settlements (BIS) meeting, told Reuters that the authorities had no intention of introducing fresh restrictions or controls.

The declaration of the earlier partial state of emergency on July 21 was followed five weeks later by temporary closure of the stock exchange and foreign exchange markets, reimposition of the dual rand system and a partial capital repayment moratorium on $14bn of the outstanding $24bn foreign debt.

In his speech to Parliament, President Botha justified the state of emergency by claiming that the security of the state was at risk because of plans by what he called "radical and revolutionary elements" to take advantage of the anniversary on June 16 of the 1976 Soweto rising, to further their aim of making the state ungovernable and government institutions unworkable.

He added that the "ordinary laws of the land are inadequate to ensure the security of the public and maintain public order."

Mr Botha added that he expected strong criticism from the outside world and even punitive measures, while some temporary tension might be expected in financial markets.

But in a nation wide television address later, he struck a more pugnacious note. It had to be very clear that South Africans would not allow themselves to be humiliated in order to prevent sanctions.

"Neither the international community et alrge, nor any particular state, will dictate to us what the contents of our political programme should be. We have to live in this country. We have nowhere else to go... We ourselves will find solutions to our problems an dwe will make them work."

He stressed his opposition to sanctions and added: "I do not underestimate the Africa will not crawl before anyone to prevent it."

Mrs Helen Suzman, opposition Federal progressive Party (PFP) spokesperson on law and order, and a fierce critic of Mr Louis Le Grange, the Minister, last night described the emergency as "a total violation of civil liberties and the harshest emergency powers since 1960 [when the authorities mounted e similar nationwide clampdown in the wake of the Sharpeville massacre when more than 60 people were shot dead by police for protesting against having to carry pass books.]

"The country will reel under these regulations. They will give the outside world the impression of impending disaster," she warned.

Last week, the Government announced a total ban on all meetings connected with the Soweto anniversary but many blacks are in a defiant mood and black activists said yesterday that they were sure that people would still demonstrate on June 16, despite the blanket ban an dthe emergency.

Under Section 9 of the emergency proclamation, the media are not permitted to "make, take, record, manufacture, reproduce, publish, broadcast or distribute.. or make any photograph, drawing or representation" of any kind of unrest, anywhere.

South African police said that most of those arrested before the emergency was declared were detained under Section 50 of the Internal Security Act, which provides for an initial period of 48 hours detention extendable to 14 days.

International reaction to Mr Botha's measures was swift and widespread.

In Bonn, a West German Foreign Ministry official announced that EEC member states had agreed to close their embassies in South Africa for a 24-hour period next Monday to protest against the Government's measures

Editorial comment, Page 18; Afrikaners tighten control, Page 18; Britain sets conditions for sanctions, Page 20

UK urged to support sanctions

BY MICHAEL HOLMAN AND ROBERT MAUTHNER IN LONDON

MR MALCOLM FRASER, the former Australian Prime Minister and co-chairman of the Commonwealth Eminent Persons' Group yesterday urged Britain to support new sanctions against South Africa.

Speaking in London at the publication of the group's report on its efforts to initiate dialogue between black and white in South Africa, Mr Fraser said that only concerted action by Pretoria's main trading partners could avert what the report called a "bloodbath" in the republic.

Mr Fraser, accompanied by his fellow chairman, General Olusegun Obasanjo, the former Nigerian President, said that unless black South Africans received "substantial support" from the West, "they will conclude that all that is left to them is to [illegible]

Within a [illegible] would [illegible] ment would [illegible] radical wi[illegible] of its arms [illegible] nationalise [illegible] economic [illegible]

Sanctions, he [illegible] could "create the circumstances in which the white population will bring pressure to bear on their own Government." Measures that should be considered, said Mr Fraser, included bans on air links and a ban on certain South African imports, notably fruit and vegetables and bulk goods such as coal. "The aim is to bring South Africa to its senses, not to its knees," he said.

Mr Fraser and General Obasanjo were due to meet Mrs Margaret Thatcher, the British Prime Minister, last night to press their case for sanctions in the light of the Commonwealth report. This concludes that the South African Government "is not yet ready to negotiate a non-racial and representative government."

Already under pressure to change her stance, Mrs Thatcher will have to take into account the views of Lord Barber, the British representative on the group and the chairman of Standard Chartered Bank. He told SBC radio yesterday that Pretoria "would find sanctions very disagreeable and I believe sanctions could have some effect."

Mr Fraser described Mr Nelson Mandela, the imprisoned African National Congress leader, as "impressive", and said that Chief Gatsha Buthelezi, leader of the Zulu backed Inkatha movement, had indicated that he would be prepared to serve under Mr Mandela.

Mr Fraser thought that this show of unity among black leaders had surprised and disconcerted South African ministers, and might have led to a hardening in the Government's response to Commonwealth negotiating proposals based on a suspension of violence and the release of Mr Mandela and other political prisoners.

The report lays the blame for the failure of the Commonwealth initiative on the South African Government. Mr Mandela and the ANC were prepared to treat the negotiating proposals as a basis for discussion, said Mr Fraser.

Details, Page 6

US dismisses three for insider trading with advance GNP data

BY WILLIAM HALL IN NEW YORK

THE US Government is to dismiss three employees who used advance information on the US Gross National Product (GNP) data to make money for themselves and others in the financial markets before the official figures were published last September.

The action is another indication of a mounting official campaign to curb insider trading on Wall Street.

Earlier this month, Mr Dennis Levine, 33 an investment banker, agreed to pay back $11.6m in alleged illegal share trading profits and to co-operate with the authorities in tracking down other insider transactions.

Mr Malcolm Baldrige, the US Commerce Secretary, yesterday released a report by the Commerce Department's inspector-general confirming widespread market rumours that there had been a leak of the official GNP figures last September.

Bond prices had jumped sharply the day before the release of the figures in widespread rumours that the Commerce Department would report a 2.8 per cent rise in the "flash" estimate of the US GNP for the third quarter.

The figure, which proved correct, was well below the market's expectations.

Mr Baldrige disclosed that two employees of the Bureau of Economic Analysis used the leaked data to trade bond futures.

A third person had passed similar information to another person who gained from the advanced knowledge.

The inspector-general's report showed that at least 60 employees in the Bureau of Economic Affairs were aware of the September GNP figures before their release. Only 16 were supposed to know.

The trading activity of the three individuals was "relatively minor" and Mr Baldrige refused to give specific figures on the size of the profits.

He said the three officials would be dismissed under existing federal regulations.

The investigators were unable to determine whether the brokers used by the three officials had benefited from the early release of the GNP data.

The US Commerce Department has tightened its security procedures surrounding the release of sensitive economic information since last September and the Department is promoting changes in the law that would make any future leaks a crime.

It has already forwarded draft legislation to the Office of Management and the Budget.

The Federal Bureau of Investigation and the US Securities and Exchange Commission helped in the investigation of the leak and 14 people were given lie-detector tests.

Fiat 'trying to sabotage' Ford–Alfa deal

BY ALAN FRIEDMAN IN ROME

IRI, THE Italian state holding group, yesterday accused Fiat, the country's largest private-sector company, of trying to sabotage a possible deal between Ford of the US and Alfa Romeo, the car maker controlled by IRI. The holding group had announced the start of talks with Ford three weeks ego.

The accusation, from a senior IRI official in Rome, comes amid an increasingly bitter conflict between Fiat and IRI over the future of the loss-making Alfa. He was responding to a statement on Wednesday by Mr Cesare Romiti, Fiat managing director, disclosing details of secret talks held by Fiat and Alfa between last November and May of this year.

Mr Romiti, speaking before a parliamentary committee, disclosed details of far-reaching proposals Fiet made to Alfa at the state-owned company's request. IRI claims that in making public the Fiat-Alfa talks, Mr Romiti was trying to wreck chances for a solution involving Ford.

The Fiat managing director said he had not been informed of Alfe's Ford talks until the evening of May 20, when he received a telephone call from Professor Romano Prodi, IRI chairman.

An IRI executive who requested anonymity said instead: "We did not name Ford, but we told Fiat right from the start last November that we were also talking to other car companies."

Leyland Bus, loss-making subsidiary of Britain's state-owned BL group, is to be sold by tender to one of three rival bidders: Laird Group, Aveling Barford and a management buy-out consortium. Page 11

Fiat said yesterday that Mr Romiti had no wish to damage prospects for a Ford-Alfa deal. "Let them sell Alfa if they can," e Fiat spokesman said. He added that Mr Romiti's disclosures were made "because he was responding to questions in Parliament."

Fiat also said yesterday that "during the period between November 1985 and May 1986, Fiat was not informed that IRI was talking to other companies. The possibility of IRI's selling majority control of Alfa never came up in seven months of talks betweeo IRI and Fiat and was never included in any documeotations."

A confidential copy of the Fiat-Alfa working document was, however, shown to the Financial Times yesterday. The document, dated May 5

Continued on Page 20

BL invites bidders for bus business, Page 20

Lonrho rescues Shah's UK daily

BY RAYMOND SNODDY IN LONDON

LONRHO, the international trading group, yesterday came to the rescue of Today, Mr Eddie Shah's daily newspaper, which has pioneered new printing technology in Britain, with more than £20m ($30m) in financial backing.

In a financial restructuring, Mr Shah will increase his shareholding to 51 per cent, remain as chairman and chief executive and have £13.5m in new money to try to turn the loss-making colour tabloid into profit.

Lonrho, which will have 35 per cent of the equity, already owns The Observer, Britain'a oldest Sunday newspaper. Yesterday's deal must be approved by Britain's Department of Trade and Industry.

Mr Shah, who launched the newspaper in March, was applauded by his staff when he told the crowded newsroom of the Lonrho deal. "We are now in a situation where this company has the financial wherewithal to achieve what we set out to achieve," Mr Shah said.

Today is currently losing nearly £1m a month and circulation is aronnd 400,000 instead of the 1m hoped for at this stage. But Mr Shah conceded that the crisis was over only if the product was sharpened, tightened and generally improved. "Otherwise we shall have another crisis in maybe six or eight months' time," he admitted.

Mr Tiny Rowland Lonrho chief-executive, will become deputy chairman of News (UK).

Mr Rowland beat three other serious contenders interested in purchasing the paper: Mr Kerry Packer's Consolidated Press, Mr Robert Maxwell'a Mirror Group Newspapers and Lord Rothermere'a Associated Group.

The offer from Associeted, publishers of the Daily Mail, was

Continued on Page 20

UK print union dispute, Page 11

CONTENTS

Europe	2, 3
Companies	21, 22, 25
America	4
Companies	21, 22
Overseas	8
Companies	24, 26
World Trade	10
Britain	11
Companies	28–31
Agriculture	36
Appointments	31
Arts – Reviews	14
– World Guide	15
Commercial Law	32
Commodities	36
Crossword	33
Currencies	37
Editorial comment	18
Eurobonds	27
Euro-options	40
Financial Futures	37
Gold	36
Intn. Capital Markets	27
Letters	19
Lex	20
Lombard	19
Management	16
Market Monitors	44
Men and Matters	18
Money Markets	37
Property	12, 13
Raw Materials	36
Stock markets – Bourses	41–44
– Wall Street	41, 44
– London	38–41, 44
Technology	6
Unit Trusts	33–35
Weather	20

West Germany: Lower Saxony rehearses battle 2

Spain: Felipe González and democracy 3

Technology: monitoring gas turbine engines 6

Management: the exclusive ingredients 16

Editorial comment: South Africa; N. Ireland 18

South Africa: Afrikaners strengthen powers 18

Politics Today: the SDP Alliance future 19

Lombard: Birkbeck controversy 19

Lex: Beecham; Burmah Oil; Billingsgate 20

Belgium: Survey .... Section III

US ready to negotiate chemical arms treaty

By William Dullforce in Geneva

THE US yesterday reaffirmed its readiness to negotiate an international treaty banning chemical weapons. But Mr Donald Lowitz, the US chief delegate, told journalists after addressing the UN disarmament conference, the treaty had to be all-inclusive, containing assurances against future production and use of chemical weapons as well as the destruction of existing stockpiles and facilities.

The Soviet announcement at the end of the last session of the conference in April that it was prepared to accept on-site inspection of the destruction of its plants was welcome but not as comprehensive as had been headlined, Mr Lowitz said.

Moscow's concession indicated the "possibility of a meeting of minds" over the destruction of facilities, but it did not address fully the issue of verification, he said.

In the draft treaty proposed by Vice President George Bush in 1984 the US staked out its position that any international agreement on chemical weapons had to include the right to inspection on challenge.

"We cannot enter any convention unless we are sure it is equitable, verifiable and ensures compliance," Mr Lowitz said. But, he added, the US was not bound to every word in the Bush document.

It was looking for "some response (from the Soviet Union) that is not a flat No but allows us to engage in discussions on challenge inspection."

Mr Lowitz denied that the Reagan Administration's plan to resume production of new chemical weapons after a 17-year lapse was inconsistent with its avowed desire to negotiate a treaty banning the weapons.

The US had to protect itself until agreement had been reached but once a convention had been agreed whatever chemical weapons it had would be subject to that convention, Mr Lowitz said.

The negotiations on a chemical weapons ban were given fresh life by President Reagan and Mr Mikhail Gorbachev at their summit meeting here last November. The US and the Soviet Union are holding bilateral talks on chemical weapons in Geneva simultaneously with the discussions in the 40-nation UN conference.

Rupert Cornwell reports on the national consequences of a state election

Lower Saxony rehearses the federal battle

FEW POLITICIANS could differ more than the young self-made left-wing Social Democrat Gerhard Schroeder, with his craggy good looks, and the smooth creature of power Ernst Albrecht, his polished Christian Democrat rival, as their battle for the state of Lower Saxony reaches its climax at the ballot box this weekend.

The two do have one thing in common: the realisation that while the cameras and tape recorders may have hung upon their every, much repeated, word throughout the weeks of an exhausting election campaign, they are in truth but minor players in a rather larger plot.

Regrettable though it may be to some nostalgic politicians, the fact is inescapable. State elections in West Germany, which crop up at the rate of two or three a year, are now miniature replicas of their federal brothers. Never has this been more true than in the case of Lower Saxony, where the hopes, fears, and possible outcomes on Sunday evening provide an uncanny foretaste of what will be on offer next January 25 when the entire country chooses a new parliament in Bonn.

This weekend could itself have immediate national consequences. A CDU defeat would deprive the Centre-Right coalition of its present majority in the Bundesrat, or upper house of Parliament, made up of representatives from the individual state governments, and conceivably threaten its future legislative plans.

Insofar as "local" issues exist and are discussed, they are applicable at a national level—for example the disgruntlement

Mr Johannes Rau SDP candidate for federal Chancellor, and Mr Ernst Albrecht, Lower Saxony Prime Minister

of the farmers who would normally be an unfailing reservoir of Christian Democrat support—not just across the flat fertile countryside of Lower Saxony with its 5.6m electors, but in West Germany as a whole.

But even the farmers hardly feature any longer on the hustings. Mr Schroeder hardly refers to the specific problems of Lower Saxony, apart from the perils that a further four years of "the conservatives" in power would entail, and Mr Albrecht's approach is not dissimilar.

Small wonder, for not only are the issues national in flavour, the tactical considerations after the election eclipse the politicking before it, especially for the SPD. Those considerations too, are exclusively notional. Most tantalising of all, the result is anyone's guess.

Few reckon that the Christian Democrats, despite the generally competent performance of Mr Albrecht since he took over as Prime Minister in February 1976, can repeat the feat of 1982 when they won control of the state on their own, with 50.7 per cent of the vote.

The best of the forecasts give them 46 or 47 per cent, implying that this time a CDU majority, if there is to be one, will depend on the ability of their Free Democrat (FDP) allies in Bonn to secure the 5 per cent required for seats in the Hanover parliament. The latest polls suggest that those proven electoral escapologists could yet pull it off again—although much hinges on a statitician's margin of error.

One person who has no doubts that things are on tha mend is Mr Helmut Kohl. Unloved and accident-prone, the Chancellor had earlier been tartly advised that the best service he could render his party in the state was to stay awoy during the campaign. But at a rally in Hamelin on a glorious Tuesday afternoon this week, it was almost the man of old: piper-like never, it is true, but determined and oozing stolid confidence.

In private the Chancellor is said to be hugely uplifted by the recent "ocquittals" handed him by prosecutors investigating charges that he lied to parliomentory enquiries probing the "Flick" political payments affair. He believes, too, that the oppointment of West Germany's first ever fully fledged Environment Minister has helped dispel o reputation for indecisiveness, just at the moment when public anxiety in the wake of Chernobyl, so detrimental to the Government, may be storting to ebb.

Such optimism of course moy be misplaced: and a resounding defeat in Lower Soxony might yet whet the CDU's appetite for rapid regicide, in time for o successor to leod them into the Bundestag vote just seven months off. But the problems of the SPD, though less obvious, ore no smaller.

In village halls aod on television screen alike, Mr Schroeder comes across well. But he will not, barring an earthquake of which there is no sign, win a majority on his own. Four years o go the SPD captured only 36.5 per cent, a gap which even mid-term electoral ennui and discontent with the Government is unlikely entirely to close.

His problem, therefore, is simple enough: what to do about the Greens on his left, if their support, tacit or explicit, is needed for him to form a government? As Mr Kurt Biedenkopf, one of the sharpest minds in the CDU put it the other day: "It would be miserable for us to lose in Lower Saxony: but the SPD will not find it very comfortable to win."

Mr Schroeder has vowed he will not form a "Red-Green" coolition, should Sunday's numbers point in that direction. But even some more cunning arrangement, involving Green "toleration," or indirect support of a minority Social Democrat Government would fuel the suspicion that Mr Johannes Rau, the SPD's candidate for Chancellor in January, might do just that in Bonn were circumstances similar, whatever his protestations to the contrary.

The quandary has generated yet more exotic speculation: that the SPD might extend issue-by-issue support to a minority CDU administration in Honover: even that Mr Schroeder, if his party does emerge as the biggest on Sunday, could prevaricate and ultimately provoke new elections, to be held simultaneously with those for Bonn.

That though is for next week, and the Social Democrats have to win first. In the meantime Mr Kohl used his typically extended bout of oratory in Homelin for the sort of speech he will be moking in the winter chill ahead — dwelling on the issues which move Germany: economic recovery, law and order, and the need to rekindle a national spirit — not least in the shape of more German children. It hardly set his audience alight. But ten dress rehearsals rarely do.

Portugal's balance of payments hopes soar

BY DIANA SMITH IN LISBON

PORTUGAL EXPECTS a balance of payments surplus of about $800m this year, a reversal of the original gloomy forecasts of the Cavaco Silva Government which had expected o deficit of a similar sum.

Despite the current account surplus of $420m last year, thanks to the easing of austerity and the continuing weakness of import demand, the Government had expected economic growth this year to result in a sizeable current account deficit.

However, there has been a major turnaround in the current account thanks to an oil price windfall that saves about $500m this year, good agricultural forecasts that could save $200m in food imports, and export growth that is less spectacular than 1984-85 but is still steady.

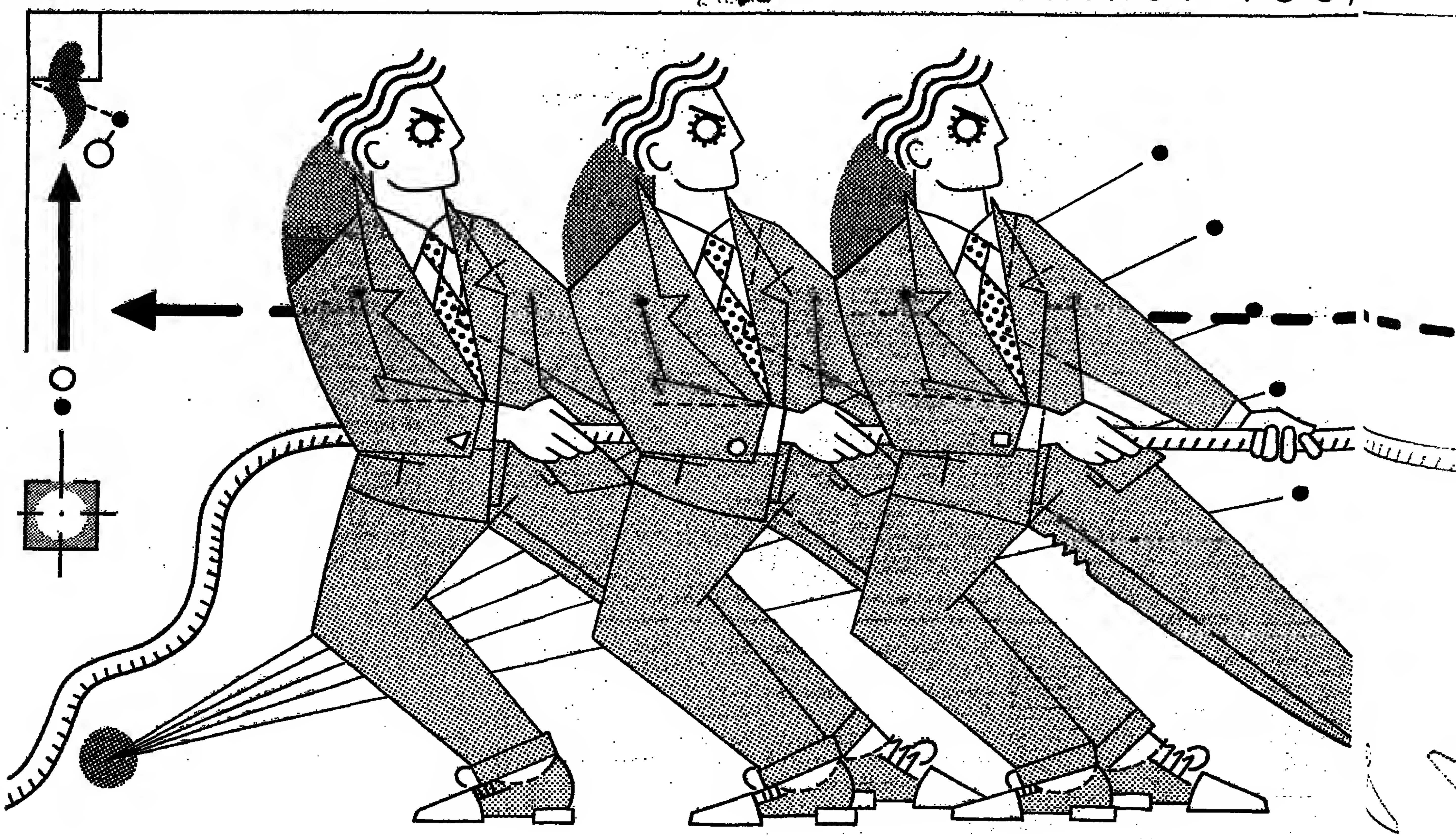
However, private enterprise, expected to respond strongly to the call of a centre-right government bent on liberalising the economy, has not delivered the massive increase in investment the administration had hoped for.

A liberalised foreign investment code promised since last November, which obeys EEC rules and reduces bureaucratic hurdles for foreign investors, has still not been issued. Offialdom is apparently finding it hard to relinquish discretionary power over who is or is not allowed to invest.

Though capital and money markets gained new dynamism this year, there is a speculative aura around the stock exchange and the heavy volume of trading is more a reflection of few stocks chased by many punters than of strong company results ottracting solid medium or long term investment.

EEC membership meanwhile has brought the promise of massive structural funds but, because of the EEC's budget problems few have yet been allocated, much to tha Lisbon Government's annoyance. While Spain is rushing ta take commercial advantage of its new EEC status, Portugal is marking time this year, and though this temporarily helps its balance of payments it is less healthy for the future of the economy

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.



EUROPEAN NEWS

UK softens opposition to EEC industrial air pollution proposals

BY PAUL CHEESERIGHT IN LUXEMBOURG

EUROPEAN COMMUNITY attempts to devise a collective system for cutting air pollution from industrial plants yesterday moved from the forlorn to the vaguely hopeful as the UK sig- opposition. nalled a shift in its outright

The British Government had been adamant in its refusal to accept now dead European Commission proposals for a 60 per cent cut in sulphur dioxide emissions and a 40 per cent cut in nitrogen oxide emissions over period 1980 to 1992.

It is prepared to look carefully at looser proposals launched yesterday by the Netherlands at a meeting of environment ministers. The Dutch now hold the presidency of the Community's Council of Ministers.

"The Dutch have made a serious attempt to break the logjam," said Mr William Waldegrave, the Minister for the Environment, who had been the *most vigorous critic in the* council of ministers of the original Commission proposals based essentially on West German legislation.

"I'm not saying Yes and I'm not saying No," Mr Waldegrave added as he noted that calculations on the cost and effect of the Dutch proposals could be completed within the next four to six weeks.

The calculations may have to be done more rapidly than that because the Netherlands may decide to raise the matter of air pollution at the Community summit to be held in The Hague at the end of the month.

Dutch proposals in effect spread out the rigour of the Commission proposals by saying that there should be a 45 per cent cut in sulphur dioxide emissions by 1995 with the full 60 per cent to be reached by the year 2005. Any plants coming on stream would have to meet the original Commission target and the rules would apply to all industrial installations with a capacity of 50 Mw or more. The base reference year would remain 1980.

Mr Waldegrave: "serious attempt to break logjam"

This last point remains a problem for the UK, which has consistently doubted whether the effect of the cuts in emission levels is worth the cost of bringing them about—estimated for the UK at some £5bn. It believes that the base year from which cuts ought to be calculated should be the year in which pollution was at its highest. For the UK this means 1970. There was a considerable clean-up during the 1970s.

Although the Dutch proposals look like meeting fairer weather than those of the Commission ever did, British caution is allied to opposition from Portugal, which started building power stations this decade, and to worries about cost from Italy and Ireland.

To some extent, the Dutch have already catered for national difficulties by proposing that the Community meet the overall cuts targets by demanding different rates of cleaning-up. Thus Germany and France would be expected to make a 70 per cent cut in sulphur dioxide emissions, the UK 40 per cent and Spain 10 per cent.

So far the Netherlands has not decided what should be done about nitrogen oxide emissions.

● Environment ministers yesterday agreed that a directive which controls the movement of toxic waste should be tightened up by raising the ceiling on key chemicals which can be held by a company before the authorities are notified. Among the list of chemicals are methyl isocyanate (in the aftermath of the Bhopal disaster), chlorine and phosgene.

They also agreed measures to enhance their systems of exchanging information about the quality of surface fresh water.

Competition policy asserted

BY TIM DICKSON IN BRUSSELS

A POWERFUL assertion of the "positive" nature of EEC competition policy was delivered in Brussels yesterday by Mr Peter Sutherland, the Irish Commissioner responsible for this aspect of Community affairs.

Introducing a new report on the subject*, Mr Sutherland also called on courts in member states to apply more extensively their power to enforce the competition rules "so that they are made more accessible to the ordinary citizen."

EEC competition policy is essentially designed to outlaw state subsidies and restrictive practices by companies which inhibit free access to the Community's markets.

Mr Sutherland said yesterday that such a policy should be seen as "a positive means of directing European industry which can make Europe competitive in world markets, promote new technology, and encourage greater cohesion in the Community."

Competition policy, for example, was an important tool in helping to open up the EEC internal market, a task which, contrary to popular opinion, is not just concerned with removing frontier barriers..." Cartels, monopolies, and state subsidies can be just as disruptive to internal trade," Mr Sutherland maintained.

"The Commission intends to develop further its policy in the field of intellectual property, know-how licensing and copyright. Its proposed guidelines on joint ventures are intended to encourage co-operative activity among enterprises on a European level and also have significant implications for firms planning co-operative link ups on R and D."

**Fifteenth Report on Competition Policy. Office for Official Publications of the European Communities, Luxembourg. Price Ecu 11.31 (£7.40).*

Inflation rate falls in France to 2.3%

FRANCE'S annual inflation rate fell to 2.3 per cent in May from 2.6 per cent in April according to provisional figures from Insee, the Government's statistics institute, Paul Betts writes from Paris.

Consumer prices increased by 0.2 per cent in May after rising by 0.4 per cent in April and March figures were disappointing, although expected by the Government.

The 2.3 per cent rate is slightly higher than the rate which the previous Socialist Government had forecast but is still only half last year's fiure of 4.7 per cent.

Swiss prices held

Price increases in Switzerland last month were held to an eight-year low of 0.7 per cent compared to 1.0 per cent in April, the Government said yesterday, AP reports from Bern.

Olympic flights halted

More than 90 Olympic Airways domestic and international flights were cancelled yesterday on the second day of a strike by 600 pilots and flight engineers employed by the state-run carrier, AP writes from Athens.

Four pilots who were arrested on Wednesday for defying a government order to keep the airline in operation. They face jail terms of up to 10 years.

EEC gift to Poland

The European Parliament unanimously adopted a resolution yesterday calling for surplus European Community dairy stocks to be given to Poland where radiation from the Chernobyl nuclear reactor disaster affected milk supplies, Reuter reports from Strasbourg.

Greenpeace crew held

Police in the north Norway port of Vardoe yesterday were considering whether to lay charges against the crew of the Greenpeace protest ship Moby Dick arrested by Norwegian Coast Guard on Wednesday night, AP reports. Moby Dick had been confronting Norwegian whalers in the North Atlantic and seized in Baatsfjord.

Tom Burns on the campaign of 'the most sincere young man in Spain'

Freedom, democracy—and Felipe

SPANISH ELECTIONS

PRIME MINISTER Falipe Gonzalez campaigns for the June 22 general elections only at weekends. When he meets the crowds after a week's work in tha Moncloa Palace, he treats them to the oddest of political messages: "I'm not here to ask for your vote, I don't want you to vote what I tell you to vote," he says. "I want you to vote freely. I want you to know you can vote for whoever you want."

By the end of the three-week campaign Mr Gonzalez will have given 17 mass meetings, staged in bullrings, sports atadiums and parks, carefully scheduled not to coincide with the times when Spain's World Cup matches in Mexico are on television. Some 200,000 voters one out of every 150, will have attendad them.

Travelling in a private jet between cities accompanied always by his lovely wife Carmen, the 44-year-old Socialist Premier mesmerises audiences. He starts off quietly, waving his arms to silence the chants of Fe-li-pe, Fe-li-pe: "I want to talk to you about our present and our future, about where we are and where we are going."

Soon he is in full swing, juggling with ideas and showing himself to be a conviction politician. "History has its rhythms" is one central theme. Being impatient, going too fast has made the Spanish people "always lose the battle of history," he says.

In 1936, General Franco with his rebellion and the ensuing civil war put paid to an increasingly radicalised and impatient Spanish republic. Then he brings the crowd to its faet crying out: "This time the Spanish peopla will not losa the battla of history."

Saragossa's bullring was packed out on Saturday night after Spain had baaten Northern Ireland. Dona Piedad Navarro, a sprightly 80-year-old dressed completely in black and with her whita hair in a neat bun, had coma from Egea de Los Caballeros, a walled town 60 miles away where the Cortes (parliament) once met in the 13th century. She had been waiting for hours to maka sure of her front row seat to hear Mr Gonzalez.

With her beaming, toothless smile she seemed to personify the Spain down the agea that the Prime Minister was talking about. She said she had seen it all and suffered it all. "What do I like about Felipe? He's the most sincere young man in Spain," shesaid.

Dona Piedad became very emotional when Mr Gonzalez launched into his "gratitude" theme, a sure winner averywhere he has spoken. He said he doesn't care what happens to him on June 22 because "I will always be grateful, always, for the confidence that you have placed in me these last four years. Grateful because you have allowed me to represent a free people, to represent Spain with decorum and honour, to go with my head high in Buenos Aires, in Moscow and in Washington."

Mr Gonzalez tells his listeners that economic recovery is on the way, that tha foundations of welfare have been laid but that much remains to be done. "Don't ask that what was never done in 200 years should have been done in three and a half years," he appeals to the crowds.

On one subject Mr Gonzalez becomes very eloquent and passionate. The consolidation of democracy is the greatest conquest in our history, he says. "You are free now to vote. There is nothing threatening you. You are free. There is nothing to be afraid of, there is nobody to scare you. You are free, free.

Dona Piedad has seen in her lifetime, a monarchy, a republic and a dictatorship come and go. She has lived through revolutionary strikes, military coups and a civil war. Mr Gonzalez didn't have to ask her for her vote.

World space body proposed by Moscow

THE Soviet Union yesterday proposed the creation of an international space organisation to promote projects including manned flights to other planets, Reuter reports from Moscow.

The proposal, made in a letter from Prime Minister Nikolai Ryzhkov to Mr Javier Perez de Cuellar, the United Nations Secretary-General laid out a programme beginning with a world conference on space to be held not later than 1990.

In the first stage, a world space organisation would be established concentrating on such as communications, navigation, weather forecasting and studying the earth for agricultural purposes.

In the second phase, in the first half of the 1990s, tha organisation would design and build space systems which could study how to preserve the earth's biosphere—the part of the world where life can exist.

Easing of foreign exchange law progresses in Italy

BY JAMES BUXTON IN ROME

ITALY'S CHAMBER of Deputies yesterday approved the reform of the notorious law 159, which prescribes Draconian penalties for breaches of foreign exchange regulations.

Under law 159, which was rushed into effect in 1976 at a time of dire economic crisis, an Italian who exports or holds abroad any sum over L5m (£2,200) is theoretically liable to up to six years imprisonment.

Yesterday's actions by the Chamber of Deputies, the lower house of parliament, will move to L100m thepoint at which the currency offence comes into the category of a criminal offence liable to a prison term.

But the bill still has to win final Senate approval. Mr Nicola Capria, the Minister for Foreign Trade, said yesterday that he believed this last approval should now be obtained shortly and without difficulty.

The abolition of law 159 has been the aim of a long campaign by lawyers and others who consider it highly illiberal as well as frequently contradictory. The bill to reform tha law was presented to Parliament in late 1983, but has not had a smooth passage, mainly because of the large number of amendments put forward by the opposition Communist party, which, though not altering the spirit of the reform, affected its details.

Judges have lately responded to the impending reform of law 159 by postponing prosecutions under the legislation. Many recent cases concerned Italian travellers who have simply exceeded by a narrow margin the limits on how much money they could take abroad for holidays.

If reform of the law is finally approved, it will complement recent steps taken by the Bank of Italy and the Government to ease restrictions on foreign exchange transactions.

Chemical plant fire alarms Polish town

By Christopher Bobinski in Warsaw

FEARS FOR the safety of the 50,000 people of Skarzysko Kamienna in central Poland have led the local council to condemn central government plans to restart production at a local chemical plant after a potentially disastrous fire on May 21.

The action by the local government council—which is normally little more than a rubber-stamp body—shows tha strength of feeling in the town about the issue.

The fire at the Benzzyl Organika works threatened the release into tha atmosphere of lethal chlorine gas.

Local fire officials say that storage of chemicals at the plant countervened safety regulations while the management, backed by the Chemical Ministry, has resisted repeated attempts by the Polish safety inspectorate to have the plant moved.

White House reconfirms Salt treaty is 'dead'

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE WHITE House yesterday quickly and firmly put the US back on the record as regarding the Salt 2 arms control treaty as dead, after President Ronald Reagan had suggested that it might still have a few more months of life left.

Mr Larry Speakes, the presidential spokesman, said "Salt is dead. The Salt treaty no longer exists." Future US arms control decisions would be taken in the light of Soviet behaviour, and it would only be coincidental if they kept the US within the lapsed treaty's limits, he said.

Mr Speakes's comment came after Mr Reagan had confused his listeners at a Wednesday night news conference by suggesting that he had not yet taken a final decision to abandon the 1979 treaty. In the nationally televised appearance, Mr Reagan spoke haltingly and was several times unsure in his answers, leaving it unclear if he had really intended to change his position.

Mr Reagan said he would take a final decision in several months' time, when the US is due to arm the 131st B-52 bomber with cruise missiles—a move that would put the US in breach on one of the Salt limits.

Announcing his policy on May 27, however, Mr Reagan said that he had already decided to violate the treaty with the 131st B-52, only adding vaguely that if the Soviet Union took "the constructive steps necessary to alter the current situation," he would "certainly take this into account."

Administration officials then spelled out a series of required "constructive steps, such as the reversal of the Soviet arms build-up, which seemed totally unrealistic to expect.

Mr Speakes repeated those conditions yesterday, saying that they also included progress in the Geneva arms talks and Soviet willingness to end arms control treaty violations.

In his original announcement, Mr Reagan also stated that he had "determined that in future the United States must base decisions regarding its strategic force structure on the nature and magnitude of the threat posed by Soviet strategic forces, and not on standards contained in the Salt structure."

In his news conference, on the other hand, Mr Reagan insisted that he had not yet parted company with the treaty. Asked why he had made the decision to abandon Salt now, Mr Reagan replied, "I didn't make it now." He explained that there were several months left to involve the Soviet Union in a new arms reduction programme, but suggested that what was needed was a replacement for Salt, not a return to the treaty itself.

Yesterday, Mr Speakes contradicted Mr Reagan by stating bluntly that the decision to scrap the treaty had already been taken.

The confusion over Mr Reagan's remarks, not unusual after his news conference, had threatened to reopen the bitter wrangle in the Administration over the treaty, which had appeared to end in victory for the anti-Salt hardliners with his May 27 announcement. Since then, Administration spokesmen, including those who previously wanted to preserve the treaty, have been loyally going out of their way to explain why it is now "obsolete."

Record trade surplus for Brazil

By Ivo Dawnay in Sao Paulo

BRAZIL'S trade surplus reached a record $5.01bn in the first five months to May, according to Cacex, the foreign trade agency.

The figures for May show exports outpacing imports by $2.29bn to $1.04bn, leaving a surplus of $1.25bn or 8.6 per cent up on the same period last year.

Over the five-month period, Brazil's total exports have risen to $10.28bn, almost 10 per cent above last year's figure. The accumulated 12 months' surplus from last June is now calculated at $13.28bn up from a forecast of $12.5bn.

Mr Roberto Fendt, director of Cacex, attributed the improvement to positive exchange rate factors in production costs and the continuing growth in industrialised economies.

Falling oil prices have also helped boost the economy, saving $822m or 37.2 per cent of the normal import bill. This saving has allowed a substantial increase in imports, accounting for around $124m in May alone.

Cacex believes Brazil is well on target for a $12.8bn surplus at the year's end, sufficient to cover its international debt liabilities and leave a current accounts surplus of about $600m.

New signs of rapid growth in the economy, sparked by the February Cruzado Plan, that de-indexed the economy and froze prices, are emerging daily. According to a Rio de Janeiro research institute, production in Sao Paulo, Brazil's most industrialised region, increased by 27 per cent in April against the same period last year.

Banker cautious on Mexican optimism

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MR WILLIAM RHODES, the senior Citibank executive who heads the commercial bank negotiating team on Mexico's debt, has moved to dampen expectations of an imminent agreement between the government of President Miguel de la Madrid and the International Monetary Fund.

"I hope that a letter of intent can be agreed within the next few weeks," he said in a speech to the Brazilian-American Chamber of Commerce late on Wednesday night.

Talks between Mexico and its commercial creditors would begin only after negotiations with the International Monetary Fund and World Bank were complete, he said. The World Bank is nearing approval of a $500m trade development loan for Mexico.

Senior bankers say that after a week of rumour and counter-rumour they are anxious to scotch speculation that a rescue package for Mexico is already in the works. So far, bank creditors have not been brought into discussions on Mexico's latest economic crisis.

Earlier this week both Mr Paul Volcker, the Federal Reserve Board Chairman, and Mr David Mulford, the Assistant Treasury Secretary, expressed guarded optimism that Mexico could reach an IMF agreement which would help prevent a default on its $97bn foreign debt.

But the timescale for this seems to be receding in spite of worries that Mexico is running short of the foreign exchange needed to meet interest payments. A Mexican negotiating team has yet to arrive in Washington to begin talks with the IMF.

Bankers believe Mexico will continue to meet interest payments so long as it reckons it still has a chance of reaching an IMF agreement.

Such an agreement depends, however, on Mexico and the IMF being able to reach a compromise on the size of the country's fiscal deficit, now heading for 13 per cent of GDP. Mexico has been resisting budget cuts given expectations that its economy is set to contract by up to 5 per cent this year in the wake of falling oil prices.

● Mr Jose Luis Machinea, Argentina's Undersecretary of Economic Affairs, was yesterday due to begin talks with the IMF on a waiver of economic policy targets needed to secure release of the remaining SDR237m (£180m) due under the country's SDR1.1bn ($836m) standby credit.

The waiver, needed because Argentina has failed to meet about four of the 19 key targets on its IMF accord, is needed urgently if bank creditors are to release a $600m loan tranche by the end of this month.

This money comes from the $4.2bn credit for Argentina agreed by bank creditors last year. Bankers said it will lapse if funds are not made available by June 30.

Robert Graham reports on the flagging Central American treaty initiative

Peace still eludes the Contadora group

THE CHANCES of achieving a peace treaty in Central America remain as elusive as ever. This is the reluctant conclusion being drawn in the aftermath of last Friday's two-day meeting in Panama City attended by the 13 foreign ministers concerned.

The Contadora group, composed of Colombia, Mexico, Panama and Venezuela, had called the meeting specifically to sign a treaty document. In the event there was no treaty to sign by the five Central American countries concerned—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

The one day meeting was converted into a confused two-day session in a desperate effort to keep the peace process afloat.

This was eventually achieved by tampering with the draft text on security matters, and by inviting the five Central American countries to reflect on how their differences might be bridged.

The reflections of Costa Rica and El Salvador have not been encouraging. This week Mr Rudolfo Castillo, the Salvadorean Foreign Minister, dismissed the new proposals as unsatisfactory, and voiced his distaste at the way the Contadora group was trying to force the pace.

The Central American countries have been told by the Contadora group, with the backing of the foreign ministers of the Latin American support group (Argentina, Brazil, Peru and Uruguay) this is the "last" draft. However, it has already been changed on at least three occasions since the peace process was initiated in January 1983. The ultimatum is thus being seen as little more than an attempt to instil a sense of urgency.

The draft alterations have not been released. But Contadora officials say they provide new formulas to get round the differences over security issues that divide the US-backed countries—Costa Rica, El Salvador, Guatemala and Honduras—from the Marxist orientated Sandinista regime in Nicaragua. The two most disputed aspects are the levels of armament and military manoeuvres by outside powers.

The US-backed countries are pressing for a generalised reduction in armaments in the region on the basis of a points system, grading each set of weapons.

Nicaragua has offered to negotiate the reduction or elimination of a 14-point list of military items from military air strips to heavy artillery; but it has reserved its right to retain "defensive" forces and armament.

Honduras has been reluctant to accept any document that would inhibit the presence of US troops and bases on its territory. Nicaragua, on the other hand, fearful of the US capacity to intervene from Honduras, has pressed for an elimination of military manoeuvres by outside powers.

None of the Central American foreign ministers showed any hurry to conclude a treaty either before or after the Panama meeting. There is a basic mistrust that the treaty will not be respected and that it will merely formalise the status quo.

Beyond this, the US allies in Central America tend to take their cue from Washington, and the Reagan Administration is still bent on supporting the Contra forces to change the face of Nicaragua. Support for the Contras as a military force flies in the face of the whole spirit of the Contadora process. Nicaragua meanwhile is reluctant to sign a treaty which might oblige it to start talking directly to the Contras, composed, it claims, largely of members of the former Somoza dictatorship.

The Contadora group itself, in spite of public protestations to the contrary, has lost its early enthusiasm. The group is disappointed both by the Reagan Administration's unwillingness to put its full weight behind the initiative and by its embrace of the Contra cause. Some of the members like Colombia also feel let down by Nicaragua, which has proved too inflexible.

However, having begun the process, they are reluctant to admit failure. It is the first serious multilateral attempt to solve regional differences among Latin American countries in recent years and has received the diplomatic endorsement of the principal new democracies in the southern hemisphere. The initiative has, by general consent, prevented serious escalation of the conflict in Central America. For this reason alone none of the parties involved want Contadora to be declared a failure. But unfortunately too few are willing to risk the consequences of its success. It is thus condemned to continue indefinitely as a safety valve, but with decreasing credibility.

Nasa accused of shuttle 'fantasy'

By Nancy Dunne in Washington and Louise Kehoe in San Francisco

THE US National Aeronautics and Space Administration (Nasa) exaggerated the reliability of the space shuttle "to the point of fantasy," according to a member of the presidential commission that investigated the Challenger disaster.

Dr Richard Feynman, a Nobel Prize winning physicist, said that the Nasa management's "fantastic faith in the (shuttle) machinery" stemmed either from need to assure the US Administration of the agency's perfection and ensure its funding or from an "almost incredible lack of communication" between managers and engineers.

"It would appear that, for whatever purpose, be it for internal or external consumption, the management of Nasa exaggerated the reliability of its product to the point of fantasy," Dr Feynman said.

Dr Feynman, a commission maverick who pursued his own investigations, came close to dissenting from the official report released on Monday. That report toned down criticism of Nasa and concluded with a statement stressing the agency's past successes.

Last-minute negotiations persuaded the independent and non-political Dr Feynman to sign the report, and his own conclusions are to be included among several appendices to be released in one month's time. However, Dr Feynman declined to wait until the end of the congressional hearings on the space programme now under way, and released his more controversial views.

While stopping short of recommending an end to shuttle launches, Dr Feynman urges that "only realistic flight schedules should be proposed" for the shuttle. If such a curtailed schedule is not enough to gain government support for the programme "then so be it," he concludes.

Dr Feynman says Nasa management grossly miscalculated the "probability of failure" of the shuttle launches. While Nasa officials claimed that the chances of a catastrophic failure of the type that doomed the Challenger crew was one in 100,000, Dr Feynman calculates it to be "roughly one in 100."

According to Dr Feynman's report, Nasa ignored warning signs—cracks in engine turbines and erosion in the critical booster rocket seals.

Nasa gradually relaxed its own safety specifications for the shuttle engine, Dr Feynman says describing the lack of consistent failure analysis in the design of engine turbine blades.

Although Nasa stresses the safety of the shuttle's multiple computer systems—a total of five computers designed to take over from one another in case of failure — Dr Feynman revealed that the computers are built using "obsolete" 15-year-old technology.

In efforts to accommodate payload customers, Nasa constantly reprogrammed the shuttle computers, Dr Feynman says.

West German politician attacks Contra support

A WEST GERMAN politician who negotiated the release of eight German volunteers kidnapped by rebels has praised the Nicaraguan Government for its handling of the matter, Reuter reports from Managua.

"The Government gave all its help," Mr Hans-Juergen Wischnewski, a leader of his country's Social-Democratic Party, told a news conference in Managua. He denied that the left-wing Sandinista Government had issued an ultimatum for the release of the prisoners.

The four men and four women, held for 25 days by the so-called "Contra" rebels, returned with Mr Wischnewski to Managua on Wednesday after being released on Tuesday night 150 miles east of Managua.

At a news conference, Mr Wischnewski implicitly criticised US support for the Contras. "It is obvious to me that kidnapping is a form of terrorism. For this reason, I am definitely opposed to support of organisations that would consider these measures as one of their means," he said.

Earlier this week, his party said President Ronald Reagan had insulted the German people by asking for fresh aid for the rebels while they were still holding the Germans.

Mr Wischnewski said the rebels had made demands on the West German Government, but Bonn had not fulfilled them.

"They wanted documents from the federal Government. They wanted a declaration of freedom of responsibility from the federal Government. They wanted the federal Government to take responsibility in the matter," Mr Wischnewski said.

US retail sales fall 0.1%

BY NANCY DUNNE IN WASHINGTON

US RETAIL sales fell unexpectedly by 0.1 per cent in May, according to the Commerce Department, but Mr Malcolm Baldrige, the Commerce Secretary, yesterday claimed to see good news in the gloom.

He acknowledged that retail sales, a vital indicator in the economy, had been in a "sluggish pattern" since December, but he said that spending, after inflation, was actually growing.

"Recent strong gains in real disposable income, which is after taxes and after inflation, and high levels of consumer confidence indicate continued gains in consumer spending."

The monthly drop in retail sales followed a rise of 0.4 per cent in April but declines of 0.1 per cent in February and 0.4 per cent in March.

حكمة من الأصل

TECHNOLOGY

Easing a headache for the oil companies

Nick Garnett on the vital role of monitoring gas turbine engines for pipelines

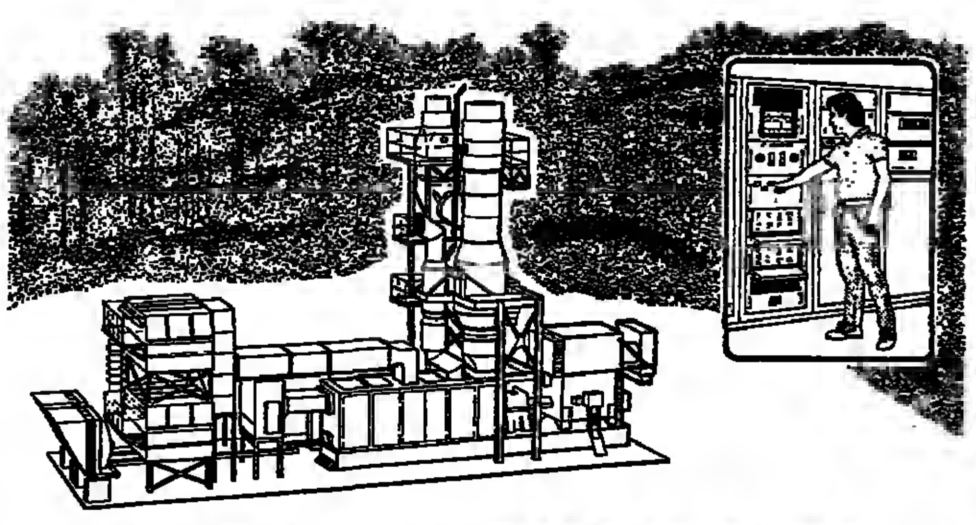
ACROSS the wastes of Siberia, Alaska's permafrost and other inhospitable corners of the world, oil and gas pipelines have one thing in common. They present operating companies with a continuous headache — how best to monitor and maintain the gas turbine engines used to power the pumps and compressors along their lengths?

Just a 1 or 2 per cent drop in the efficiency of a few of these many thousands of engines in service can cost millions of dollars a year in lost oil or gas output. Because of dirt from the environment, ageing components or lack of maintenance a typical engine runs at anything between 5 to 10 per cent below peak performance.

Monitoring and maintenance has therefore become vital, with major technological advances increasingly taking over from the likes of a man on a camel who pops round every few weeks to check the engine's oil level. At their leading edge these new technologies involve the use of satellite data transmission.

Gas turbines are usually controlled from pumping stations spared along the pipeline. These stations can switch the engines on and off, control their speeds and receive rudimentary information about how they are performing.

Within the past two years companies like General Electric of the US and Ruston Gas Turbines, part of GEC in the UK have been introducing much more sophisticated control and monitoring equipment which will have important implications for scheduling maintenanre and raising engine operating efficiency.



Ruston Tornado gas turbines. Inset: Microprocessor-based control system

This new monitoring equipment uses an array of transducers attached to various parts of an engine which transform measurements into electronic signals along wires connecting the engine to the pumping or main pipeline control station. This technology has been used for many years but the latest equipment can now provide information never before available to engineers.

The control equipment supplied for Ruston's Tornado engine (and which can be supplied for any other of its engines) uses, for example 20 locations to measure the temperature of air in the engine, another 20 for oil temperatures around the bearings, and a similar number to assess engine vibration.

This information appears on a colour monitor, remote from the engine and which has a graphic display of the engine's internal workings. The press of a button will reveal, for example, exact temperatures in the engine's exhaust.

The equipment can be used for a variety of purposes. These include controlling surge in the engine when back pressure becomes too high and the fuel flow breaks down, and operating combined heat and power systems where the turbine exhaust is fed to a boiler. In this case microprocessors control water supply to the boiler and auxiliary firing to boost steam output. Exhaust emmissions can be regulated at a distance by controlling the injection of water into the combustion chambers.

By monitoring the relationship between temperature of the engine, air and fuel flow, engineers should be better equipped to predict when an individual gas turbine needs cleaning. Vibration levels and bearing temperatures will also give clues as to whether a component is about to fail.

Advanced monitoring equipment does not come cheap, however. Every engine requires its own monitoring cabinet with display screen, each unit sold by Ruston costing £80,000-£100,000.

Against that are the savings in running engines more efficiently with greater likelihood that serious shutdowns of power can be avoided.

With this increasing amount of data about the way gas turbines are behaving in the field, oil companies are now looking at the use of satellites to transmit this data to head offices or operations centres which could be thousands of miles from the pipeline.

This is becoming attractive partly because of the long-term maintenance and purchase planning that it allows and also because there are worries that the local technicians in the field might not have the experience or the time to cope with the mass of new data coming on stream.

Many companies already use satellites. BP for example transmits data from its North Sea operations onto land via a satellite link, but this is likely to have only basic information about the operation of the gas turbines.

Operators on the north slope of Alaska are now commissioning much more complex information transmission systems which will include comprehensive gas turbine monitoring.

For their part the turbine manufacturers are aware of one possible snag. The more information an oil or gas company has about the performance of its hardware, the more it might have to worry and to complain about to the companies that supplied the turbines.

Swedes take better aim at cancer target

A NEW machine under test at Umeå Hospital in northern Sweden may lead to better treatment of cancer patients. The SKr 25m ($3.45m) "race track microtron" has been developed by Scanditronix, one of Sweden's most advanced technology companies.

It is designed to target more accurately on cancer tumours. The major drawback with existing radiation treatment is that a large area of good tissue is destroyed along with the tumour. This often affects the long-term recovery of patients.

The Scanditronix machine overcomes the basic disadvantage of traditional radiation therapy devices — which can produce one beam of single intensity — by producing a number of different X-ray and high energy beams, of varying intensity, shaped to the tumour. This has never been achieved before in medical applications.

So far, Scanditronix, with a turnover of SKr 120m ($16.56m) a year is the only company with this type of machine, though in the market for cancer treatment devices it faces competition from much larger concerns like Variant of the US and Siemens and Philips of Europe. The market for large radiation therapy machines is limited, mainly because of the cost of the equipment, with perhaps six sales a year at most. However, several hospitals in the US have expressed interest in the Scanditronix machine and are awaiting research data from the Umeå trials.

The Swedish company is already a market leader in positron emission cameras (pet cameras) which are used for the identification of tumours.

Its machine for destroying the tumour, once it is identified, represents a break with the design of more traditional devices for this purpose.

In a normal electron accelerator or microtron a stream of electrons are accelerated in a circular magnetic field. When the desired speed has been reached, the electrons are taken out of magnetic field and are smashed against a target to produce X-rays or be used directly in the cancer treatment.

Scanditronix has split in half the circular magnetic field and placed a linear accelerator between the two halves so that the electrons now travel along a path reminiscent of a race track. This results in a higher energy gain and the electrons can be removed at a number of different energy levels.

These beams travel along guideways to a computer-controlled head in an adjacent treatment room. The system is so complex that the microtron and its control equipment take up three large rooms. The treatment head which delivers the radiation to the patient has 64 tungsten shutters, similar to those of a camera. The computer controls the aperture of the shutters and can be programmed to target the treatment onto the exact shape of a tumour.

Elaine Williams

Automated guided vehicles trip the light fantastic

AUTOMATED guided vehicles using a more reliable form of optical tracking have been installed at the Woensdrecht, Netherlands, plant of Fokker-Elmo, which produces aircraft wiring harnesses.

Developed by the industrial automation systems division of Litton Industries of the US, the vehicles have optically-based systems which follow a line painted on the factory floor, but the line is inactive until an ultraviolet lamp on the vehicle makes it emit visible light of a specific colour by fluorescence.

The system solves the problems of erroneous guidance signals that can be produced from other light sources when a vehicle is trying to follow a line of ordinary white paint. In the new system, the tracking optics are "tuned" to the light emitted by the fluorescent chemical.

WORTH WATCHING

Edited by Geoff Charlish

A patented guidance system, in combination with microprocessor controls, allows programming of complex routes and stop/start sequences. Flexible routing and layout changes can be carried out overnight to meet changing needs of production or warehouse operations.

ELECTRONIC MAIL comes directly to the desk rather than through a bureau mailbox using an electronic unit called Bufferbox from Telepost of Gerrards Cross, UK (0753 882828).

There is no longer any need to check a bureau mailbox several times a day, in case someone has sent a message, or pay mailbox charges, claims Telepost.

Those with electronic mail or other simple communicating terminals can dial the destination number and enter messages into the unattended Bufferbox at any time. Incoming messages go straight into the unit, which sits under the telephone and will indicate when it has received something. Messages are queued in Bufferbox until extracted, or can be printed out as soon as they arrive. The introductory price is £620.

PROGRAMMABLE CONTROLLER company Square D of Swindon UK (0793 616222) is offering a new communications processor which will integrate manufacturing systems based on MAP (manufacturing automation protocol).

MAP is the General Motors initiative aimed at getting automation equipment makers to produce hardware and software to agreed specifications based on the "open network" standards now being finalised by the International Standards Organisation.

A variety of factory floor programmable devices from different makers can be connected to the Square D product, which is called Sy-Gate. In turn, Sy-Gate gives access to a MAP network and also performs the functions of a manufacturing cell controller.

LASER SCALPEL systems offering high power, good mechanical flexibility and compact size for surgery have been launched by Matsushita Industrial in Japan.

A sealed carbon dioxide laser tube is used which needs no external gas supply and has a life of about 1,000 hours. The tube feeds its intense light output into a fibre optic cable rather than using the conventional articulated mirror arrangement. Some thirty watts of light power are fed to the tissue being cut.

IBM PERSONAL computer users can convert their existing coaxial cable local area networks to fibre optic operation using an adapter offered by Thorn EMI Measurement of Leamington Spa, UK (0926 34511).

Made by Codenall in the US, the unit offers the now well-established advantages of fibre optics including security (the fibres are very difficult to tap), immunity to interference elimination of electrical connection problems and a small cable size.

Low-cost exchanges for small businesses

PHONE EXCHANGES for the very small business, or even for the home, have been put on the market by Lynx Communications Systems of Swindon, UK. (0793 616717).

The Lynx MX5, made in Britain by Standard Telephones and Cables, allows one public exchange line to serve up to five separate extensions, without the need for an operator. Any one of the extensions can be used for an external call while the remaining four can be used for one or two separate intercom calls.

Basically a communications microcomputer, the MX5 costs about £300 and is housed in a wall-mounted, book-sized box to which the exchange line and the five extensions are connected. Most standard rotary dial or push button phones can be used.

This small, stored-program exchange provides facilities usually associated with larger units, such as call hold (while talking to another extension), call transfer, and conference calls.

Low-cost exchanges for small businesses

ADVERTISEMENT

Prince William to wed in May

By Will Webb
in Washington

As widely anticipated, the wedding of Prince William and Miss Sarah - Jane Barnham has been fixed for July 4th.

At least twenty heads of state, including the President of the United States, will attend the ceremony along with diplomatic representatives from every nation in the world, except, of course, Scotland. Hundreds of thousands are expected to line the processional route.

Prince William will leave the Palace by carriage and travel along the two full miles of the Mall, then up to Pennsylvania Avenue, passing the White House, arriving at St John's, the Church of Presidents.

As a US Navy Lieutenant, he will wear naval ceremonial dress for the occasion.

Miss Barnham will depart from the Home of the Daughters of the American Revolution, of which she is a member, following Constitution Avenue, to meet the Prince of Wales' route.

Later, the couple will drive in procession to the Royal Hospital, Dupont Circle, and transfer to what the Palace described coyly as 'another vehicle' to take them off for their London honeymoon.

Fears for Sarah-Jane's health since she fainted on her return from a fashion show in Mauritius were reinforced by her wan appearance at a charity ball at the White House. A battery of cameramen who advanced on her, trying to record her true state of health, were forcibly rebuffed by the Presidential Guard.

But yesterday, the Palace strongly denied rumours that Sarah-Jane is unwell. 'She feels fine,' asserted the Palace press officer specially assigned to Prince William's latest fiancée. Somewhat pointedly, he added, 'why on earth shouldn't she be her usual healthy self?'

'Everyone feels a little aint from time to time and I'm certainly not prepared to get into the numbers game. I see no reason to discuss precisely her well-known concern for healthy eating.' And that her dietary consultant added explicitly prescribed that she put on a few pounds extra weight.

Certainly, she has been under immense pressure since the engagement. Her entire life has already been examined in holovision and through countless cable channels.

Thousands of copies of her fashionably 'fin da siecle' wigs are flooding the mega-markets. Every world Stock Exchange seems to have succumbed, with alarming over exposure in fashion and vegetable holdings.

Mars astronauts return to earth

The 3rd European Viking Mission returned to earth yesterday, splashing down into the Bay of Biscay after an epic 186m kilometer flight from Mars. The return journey through space from Mars, currently on the opposite side of the sun from earth, made the closest pass yet of any manned spacecraft to the surface of the sun.

Scientists at the European Space Laboratory Headquarters in Gdansk, Poland, have flown to Cherbourg where they are eagerly awaiting a chance to debrief Viking's crew.

Radio messages and teleprints received from the Mission during its nine-month-long stay on the red planet have aroused considerable speculation as to the extent and significance of the large cave system discovered by Viking crew members during their final days on Mars.

One of the most intriguing messages Viking sent back to Gdansk talked of Mission Commander Stanislaw Wisnewski and his deputy Martha Beauchamp finding themselves at the end of n road in front of a small building from which a sulphurous spring issued and flowed down a narrow gully.

Upon entering the building, and finding keys, lamps, food and water, they first assumed that these were relics of the 3rd Seafarer Mission of 1993. However, closer investigation showed the artefacts not to be of earthly manufacture. Following the stream to the sonth, they came upon a grating set in rocks which, when unlocked, proved to be the entry to a colossal cave system which stretched for miles beneath the planet's surface.

The expedition's speleologist, Tom Edison, found the underground passages to be rich in various precious metals and minerals. The crew were unable to collect samples as they were overloaded with equipment. Among the artefacts found in tbe cave were a jewel encrusted, visorless helmet and a sword of intricate manufacture.

At one point, the listeoing scientists heard a crew member shout 'There's a small threatening dwarf in the room with us.' Shortly afterwards the crew member said 'A sharp, nasty looking knife has been thrown at us' following which the transmission was lost for several minutes and recommenced in the building outside the cave.

It is thought that the crew encountered other dangers in the cave system, among them a strange green life form which bore some resemblance to a terrestrial serpent. A cry of 'There's no way to deal with this monster' was heard, and this was repeated several times before transmission once again ceased only to recommence after n pause of some minutes from the original building.

Further forays into the underground labyrinth disclosed n rickety bridge over an nbyss which proved oncrossable. In a distant cavern, a pile of gold, egg shaped nuggets was found but the crew were unable to collect specimens as an ugly troglodytic creature appeared and drove them away.

The Mission's only disaster occured soon afterwards when biologist Jacques Beanne, after having negotiated a precarious ledge running round the edge of a vast underground pit, slid down an icy tunnel and was never seen again.

Mission Control analysts in Gdansk have been exultant over Viking's extraordinary finds and yesterday angrily dismissed speculation from the French Nobel Prize Winner O. Froid that there had actually been no such discovery on Mars and that the message from the spacecraft had been due to a computer malfunction resulting in unintended transmission of a computer game with which the crew were whiling away the long hours. 'They should have used a Compaq computer,' he said.

Flight chaos in run-up to Delhi Olympics

By our Delhi Correspondent

Foreign visitors to the Delhl Olympics, due to open in a week's time in the newly built Indira Gandhi stadium, are experiencing massive delays as a backlog of unscheduled flights clogs Palam Airport. The extra aircraft, mainly from the USSR and the Eastern bloc countries had not been catered for, as until earlier this week it looked as though the Russians would carry out their threat to boycott the Games and hold their own in Prague. The Russian boycott threat first arose over the Indian preseoce in Afghanistan, which has been steadily intensified in recent weeks. However the ailing Soviet Premier Mikhail Gorbachev, widely criticised within his own country for his 'dovish' approach to foreign policy, is thought to have swayed the Politburo in fnvour of Russinn participation in the Games.

A total of 118 Soviet and Eastern bloc aircraft made

(Continued on back page, col 8)

No future for fortune telling

By Will O'Phawhope

It was a glum crowd of astrologers, palmists and assorted seers who gathered in the lavish ballroom of Brighton's Grand Hotel to hear speaker after speaker hold out little hope for the future of their trade. Marring an already unhappy occasion was the stark refusal of the British Consensus of Telepathists to send any delegates to the conference.

The schism in the ranks of the nation's esp people has arisen following recent scientific verification of the reality of telepathy by Professor Ernst Bohm of Heidelberg University. His researches in this field last year earning him a coveted Nobel Prize for Neuro-physics. It is the Professor's findings which have caused all the trouble.

Put simply, thought is now recognised to have objective physical reality, existing both in wave and particle form. Intracranial thought is conceived as particle transfer, whereas transcranial communication is possible because the brain emits electromagnetic waves (known predictably as brain-waves) capable of carrying informatioo in much the same manner as radio waves.

These discoveries have inevitably widened the rift between the Telepathists and the practitioners of other so-called occult arts, the former now claiming that theirs is the only real esp discipline and challenging the readers of tarot cards, teacups, palms and crystal balls to produce equivalent scientific back-up for their own claims.

Telepathist Consensus Secretary James Hogg said 'We have given this matter a lot of thought, individually and therefore collectively, and come to the unanimous conclusion that it was not worth attending the meeting. I am obviously in constant touch with the membership and we all realised at roughly 4pm last Thursday that it was going to be a total waste of time.'

Hitting back on behalf of the conference, Diana Allanbrod of the Sorcerers' Guild said 'Telepathy is only part of the picture. The Telepathists spend their time congratulating themselves on trivial achievements like finding out what colour each other's kitchen curtains are. Our work also utilises telepathy, but as a means to convey knowledge gleaned by digging deep into the unconscious. And the tarot symbols are still the best glyphs we have of that knowledge, no one will convince me otherwise.'

The conference ended on a sour note when Gypsy Honeysuckle Lee, at 107 years the oldest delegate preseot, read the tea-leaves and pronounced that the world would end on May 21st 2012. Nobody liked to point out that it was already May 25th.

Nostalgia for 80s sweeps pop world

There was a major sensation at last night's Music Indnstry Awards as eighties rock star Madonna, 53, walked off with no less than six of this year's top nine prizes. The awards for Best Vocalist, Best Song, Best Production, Best Single, Best Album and Best Video went to the veteran singer for her chart-topping successes with 'Still A Virgin' and the 'Never Too Old To Say Yes' album which spear-headed her dramatic comeback two years ago after twenty years of obscurity.

The singer's success is only the latest in a string of triumphs for old rock and roll idols as the sounds of the 80s are revived hy groups going back to their roots in the search for new musical ideas.

As leader of new super-group Argema Mittrei told the assembled glitterati 'There have always basically been only three chords, C, F and G7. Okay, with an A minor thrown in if you're going to be really soppy, but there's a limit to how mach you can really say with three chords. Madonna has said it all.'

The star herself refused all interviews, preferring to retreat into the privacy which has shrouded her lifn for so many years. She left the awards ceremony on the arm of old family friend and Chairman of the Awards Sir Cliff Richard OBE, at whose home she and her family are believed to be staying.

The music of the eighties is chiefly remembered today for its crusading fervour. In his nationwide television address Sir Cliff said 'It was musicians of the eighties who started the transformation of values that characterised the social, economic and political thinking of the following decade. Events like the Live Aid Concerts of 1985 grew into the Sport Aid appeal of the following year in which millions of ordinary people all over the world took part to show the world's governments how they wanted their world to be run. It is probahly not too much to claim that we owe our present peace, prosperity and plenty to what took place on May 25th 1986.'

£150m tobacco seized in drug swoop

Officers of the Metropolitan Drugs Squad this morning seized an estimated £150m of contraband tobacco in a series of dawn raids throughout the capital. The drug, thought to have been imported from South America, was destined for illegal 'fag' rolleries in Wales where millions of cigarettes are still made each year. From Wales the 'fags' find their way to pushers in London and other large cities where the drug menace has still not completely been eradicated.

It has been illegal to possess, sell or smoke tobacco in Britain since 1996, when the drug joined marijuana on the prohibited substances list. Tobacco addicts are required by law to register at special clinics where they can receive advice aod treatment. There are at present 37,000 registered addicts in the UK, but the number of 'fag' users is thought to be double this figure, despite the fact that on the black market, raw tobacco now costs upwards of £1,300 an ounce. At a press conference at Scotland Yard after the raids, Commissioner Drummond said: 'We are determined once and for all to stamp out this evil trade.'

Opposition leads in USSR polls

The ruling Communist Party is approaching next week's election with mounting trepidation after the disastrous Kiev by-election and a recent Pravda poll showing a four point lead to the Socialist Alliance.

The poll strongly underlines doubts among moderate Communists about the 'Gorbachev factor.' The ageing Premier has been criticised for his 20th century image and inept handling of modern media.

Certainly the recent holovised debate between Gorbachev and opposition leader Ossip Mandelstam did little to reassure critics.

Gorbachev displayed his usual enthusiasm for such issues as disbandment of conventional forces and the EEC budget, but seemed awkwardly reticent on the currently fashionable pop culture revival and the rising price of mineral water.

On the cosmetics front, he fared no better. In the unkind glare of holovision, the famous birthmark was glowing a particularly lurid purple, a colour perhaps deliberately picked out by Mandelstam's socks.

Shrewd Moscow pundits, however, ascribe the drop in Communist support to the 'Muslim factor.'

In the southern region, a traditional stronghold of Communist support, the hurgeoning Muslim population has heeo switching allegiance in droves to the Muslim Democrats.

Gorbachev's perceived 'quiescence' in the Indian invasion of Afghanistan has caused widespread resentment, whilst the Muslin Democrats have energetically played up rumours of a second Indian offensive.

The situation was exacerbated by the conduct of last week's elections to the Southern Regional Council. The communists have been accused of tampering with the central computer collating results. In 32 seats clashes between the national guard and demonstrators led to voting being declared invalid.

A six hour general strike throughout the region was immediately called by the Muslim Workers Federation in protest against what they called polls piracy hy the communists.

Jhan Yamani.

Jhan Yamani, leader of both the Muslim Democrats and the Workers' Federatioo declared at a recent protest rally that his party may boycott the forthcoming national election. He also protested at the announcement by the Election Commissioo that some results were invalid.

He claimed that the 22 Muslim Democrats were leading in most of the seats where results were postponed, a move which caused widespread rumours that the Central Committee of the Communist Party had itself placed pressure on the commission to reverse the upswing in support for the Muslim Democrats.

*Poll results: Socialist Alliance 34%. Communists 30%. Muslim Democrats 18%. Christian Democrats 11%. Others 7%.

Abadia seeks U.K. Aid

By James Whytesheaf

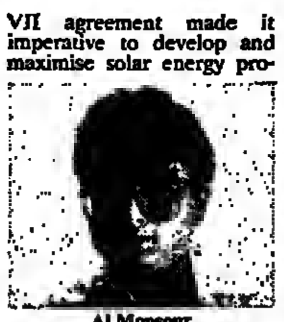
The Abadian Government announced today that it is seeking British help to expand its successful solar industry. The country's Saharan Solar Fields already produce an annual output of some 3,400,000 gigawatts of electrical power, supplying the southern and central European grids. With U.K. technology and investment it is estimated that a further 2,500,000 gigawatts of capacity could be added, enough to supply the northern European nations with cheap power. In return, the Royal Navy will receive additional facilities at Abadian ports and the naval base at Kobrut will be made available to the British warships.

Speaking at the United Nations General Assembly debate on Energy and Resources, Abadian Prime Minister Ahmed Al Mansour said 'Ever since the oil and nuclear options were exhausted, it has been clear that Saharan-African countries, together with India would have to assume responsibility for world power production. With continued co-operation the once impossible dream of a cheap, clean, inexhaustible supply of energy for all will soon be realised.'

The expansion of the Marsuk Solar field will enable electrical supplies to Britain to be stepped up and within four years 89% of UK electricity will he provided by Abadia.

Our Economics Correspondent comments: The continuing economic miracle that has transformed the once drought- and famine-ridden nations of Africa into the world's leading producers of grain and power will soon be bringing large benefits to the energy-poor northern nations.

Since the final demise of nuclear electricity production in the late nineties, hastened by the 1986 disaster at Chernobyl in the Ukraine, the northern countries have had to rely mainly upon coal and increasingly scarce and costly oil supplies. Experimental wind and wave projects, first begun in the 1970s and revived in the 1990s were, by the turn of the century, meeting some 30% of the north's needs. But the worldwide upturn in industrial output, speeded by dramatic cuts in defence budgets following the Salt VII agreement made it imperative to develop and maximise solar energy production in the Sahara.



Al Monsour.

Commodity prices fell alongsida the price of energy, giving rise to the relatively new phenomenon of negative inflation. It remains to be seen what effect the new influx of cheap Abadian power will have on Britain's unemployment figures, at 125,000 still among the highest in Europe.

*The $500 bn investment package sought by Abadia is thought to consist mainly of new computer technology, in particular the 90936 chip developed by Compaq Computers of Richmond which will make it possible for the first time to employ digital energy storage on a mass scale, stockpiling surplus energy for export to regions not currently accessed to the solar grids. European Community spokesmen at the EEC Energy Commission Headquarters in Zagreh hailed the prospect of digitalised 'energy mountains' as 'vital to the future of Europe and the world. Raw energy would always be a better standby than mountains of foodstuffs or gold.'

Like everything else on this page, it's somewhat ahead of its time.

The COMPAQ Portable II™ is not today's technology. It's tomorrow's.

It is the latest in a line of world-beating portable computers that have always been, and always stayed, ahead of the game.

When the original COMPAQ® Portable was introduced in 1983, it was more powerful than the average desktop, could do more, and do it better.

Predictably, it was soon the world's best selling full function portable computer.

To this day, no one has managed to better it. Except us.

The new COMPAQ Portable II is 30% smaller, 17% lighter and a staggering 400% faster than its illustrious predecessor. It is a product so far ahead of the field that it is no longer possible to talk of competition – there isn't any.

And if you think this is just advertising hype, read any computer magazine on the subject, or talk to anyone who knows computers.

Of course you can always talk to us.

We'd love to tell you about things like the Portable II's 4.1 megabyte RAM capacity, its optional 10 or 20 megabyte fixed disks, its total compatibility, its astonishingly fast 80286 chip.

Call 0800 444 123, and do it now. You can have a COMPAQ Portable II today. It could be years before anyone else can offer you as much.

COMPAQ PORTABLE II

We'll never cease to amaze you.

As President Botha acts to protect the 'security of the state', the Emminent Persons Group publishes a damning report

S. Africa 'at risk' from radical elements

By Patti Waldmeir in Cape Town

MR P. W. Botha, the South African President, yesterday gave his reasons for adopting the harshest emergency powers since 1960 in a speech before a joint sitting of the tri-cameral parliament in Cape Town.

He said the "security of the state" was at risk in the face of planned protests by "radical and revolutionary elements" to mark the 10th anniversary of the June 16 Soweto schoolchildrens' uprising, adding that "the ordinary laws of the land . . . are inadequate to enable Government to ensure the security of the public and to maintain public order."

Mr Botha cited the recent upsurge of black-on-black violence as justification for the emergency, arguing that "violent has been imposed on decent members of the black community by faceless so-called comrades." The "burning of innocent people" had become a daily occurrence.

"It is clear that black revolutionaries do not enjoy the spontaneous support of the majority of blacks and that they consequently resort to these methods of intimidation in order to gain control."

President Botha indicated that he expected strong criticism "and even punitive measures" from the outside world as a result of yesterday's declaration. But he dismissed the drive for sanctions against South Africa in the US as a "cynical, political move to buy black votes in the US at the expense of job opportunities for black people in . . . South Africa."

Some "temporary tension" could be expected in the financial markets, he said, but exporters should capitalise on this to capture export markets. "For this reason, these measures should soon also act to the advantage of the national economy as a whole."

The President condemned the interference of the outside world in South Africa's crisis, saying: "We have seen clearly what happened in Angola, as well as in Vietnam, Nicaragua, Kampuchea, Afghanistan and Iran. We will consequently not allow our heritage of more than 300 years to be placed needlessly on the altar of chaos and decay."

Without change, cost in lives could be millions

BY MICHAEL HOLMAN, OUR AFRICA EDITOR

THE REPORT of the seven-member Commonwealth Eminent Persons Group (EPG) published yesterday provides a detailed analysis of contemporary South African politics, assessing the Government's commitment to reform, the nature and causes of violence in the Republic, and the responses of black and white political parties, the churches, and the business community to efforts designed to start political dialogue between the races.

It also traces a marked shift in the South African Government's response to their mission, from an apparent willingness to negotiate to a hardening in attitudes highlighted by last month's raid on three neighbouring states.

The framework in which the group worked was set out by Commonwealth leaders meeting in Nassau last October. The South African Government was urged:

● To declare that the system of apartheid would be dismantled and take meaningful action.

● To end the state of emergency.

● To release immediately and unconditionally the detained African National Congress (ANC) leader, Mr Nelson Mandela and other political prisoners.

● To lift bans on the ANC and other parties, and

● To initiate a dialogue leading to "a non-racial and representative government" with all parties to the dispute having suspended violence.

The report deals with these points in turn.

Apartheid is "awesome in its cruelty," begins the report, citing the consequences of a system which gives some 86.3 per cent of its land to whites and 13.7 per cent to about six times as many blacks.

The report acknowledges that changes have been taking place in South Africa, giving as examples the introduction of freehold rights in black townships, recognition of black trade unions, desegregation of certain public amenities, and the end to the pass law system.

But, says the report, "the various reforms undertaken or foreshadowed to date must be viewed against the background of (Government's) determination not to give up white control. The harshness of apartheid . . . is being softened. But the essential pillars remain: the homelands policy, the Population Registration Act, the Group Areas Act." In its "unambiguous insistence on a political structure based on communities, the government is in reality seeking to preserve and entrench a society based on racial groups."

The report continues: "We are sceptical of the intention of the Government to dismantle completely the system of apartheid . . . their actions up to this point do not justify any claim that apartheid is being dismantled. The argument that the considerable change which we have seen is directed to that end founders, irretrievably, on the rocks of 'group rights' and white control."

The report reviews the range of white attitudes, from the ultra conservative to liberal white Afrikaner students. "Many whites genuinely entertain fears about their future in any new dispensation. We found a keen awareness of this among responsible black leaders," says the report.

"It is a tragedy that the Government, as a matter of policy, is seeking to deepen these fears. The report endorses an assessment of the ANC as 'a movement of pragmatists, not ideologues'."

Turning to violence in South Africa, the report sees the creation of the apartheid state as inherently violent, and traces the history of forced removals, the creation of "homelands" and the decision of the ANC and the Pan African Congress (PAC) to turn from non-violence to armed resistance.

In the course of their visits to South Africa the Commonwealth representatives say that they received widespread complaints about police and army conduct which had "an unmistakeable ring of truth. Claims that the security forces provoke violence are confirmed by our own experience," says the report, which also concluded that there was "a systematic and seemingly orchestrated campaign of intimidation directed at activities in the democratic cause."

From a technical viewpoint, the Government had lifted the state of emergency, says the report: "In reality, however, South Africa is sliding even further into a permanent state of emergency in terms of the ordinary laws of the land."

In the course of their visit the group twice met Mr Nelson Mandela, "a commanding presence" who "exuded authority" and emphasised that he was a nationalist, not a communist. "His freedom is a key component in there being any hope of a peaceful resolution of a conflict which otherwise will prove all-consuming," says the report. "The call to release Mr Mandela "is one to which we attach the highest importance."

The report stresses that the group did not attempt to "prescribe what the future constitutional structures of South Africa ought to be," but they expected that a process of dialogue should take place "in an environment of free political activity," called for at Nassau: "The Government has made no movement towards this goal. Indeed, recently it has been moving in the opposite direction."

The report set out what it termed a "negotiating concept" put to government and other parties, calling on the Government to take "meaningful steps" to end apartheid, remove the military from the townships and provide for free assembly; release Mr Mandela and other detainees; lift the bans on the ANC, PAC and other political parties. The ANC and others were expected to enter into negotiations with the Government and suspend violence.

The report says the group was "struck by the overwhelming desire in the country for a non-violent negotiated settlement." But the South African Government's position "defies succinct summary. It has perfected a specialised political vocabulary which while saying one thing, means quite another."

On the question of violence, the Government did not recognise that apartheid was sustained through violence: "Nor was there any willingness to admit that the militarisation of the townships and the well documented brutality of some elements of the security forces were themselves provoking a violent reaction."

Mr Mandela, says the report, "expressed his personal acceptance of the Group's negotiating concept as a starting point, although he could not speak for the ANC without consultation. He was not in a position to renounce the use of violence as a condition of his release, and we recognised that in the circumstances currently prevailing in South Africa, it would be unreasonable to expect that of him."

ANC officials in Lusaka, Zambia, emphasised that violence would abate if apartheid was dismantled: "If the army and police pulled out of the townships, the ANC could begin to consider a suspension of violence." But "for the ANC to renounce violence now would be to reduce itself to a state of helplessness. There must first be sufficient indication of the South African Government's readiness to negotiate the transition to non-racial sovereignty," was the ANC view.

At one stage in their visit, says the report, the group believed that "the ground existed on the basis of which a negotiated solution to South Africa's problems could be attempted and in mid-March the 'negotiating concept' was submitted to the government."

On April 24, Mr Pik Botha, the Foreign Minister, formally replied in what seemed positive terms, shifting it seems from a demand that violence be "renounced" as a condition to talks to an apparent willingness to accept "suspension" of violence.

When the group resumed discussions in mid May on their second visit to South Africa, the Government's position appeared to have hardened and a range of objections were raised. At a meeting in Lusaka on May 17, however, the group was encouraged by the organisations willingness to give the negotiating concept further consideration. They would give a firm answer in about ten days.

The group returned to Johannesburg for further consultations with internal black groups. On the morning of May 19, shortly before the group was due to meet the Cabinet Constitutional Committee in Cape Town, news came of South African raids on alleged ANC targets in Zambia, Botswana, and Zimbabwe.

"The attacks confirmed the worst forebodings of the many organisations and individuals who had warned us not to put faith in the word of the South African Government. It was all too plain that, while talking to the Group about negotiations and peaceful solutions, the Government had been planning these armed attacks."

Before reaching its conclusions, the report reviews the damage wrought on neighbouring states by South African military raids and says "Apartheid poses a threat beyond its borders."

"It is our considered view," says the report, "that despite appearances and statements to the contrary, the South African Government is not yet ready to negotiate (a non racial and representative government)."

"It is in truth not yet prepared to negotiate fundamental change, nor to countenance the creation of genuine democratic structures, nor to face the prospect of the end of white domination.

"There can be no negotiated settlement in South Africa without the ANC . . . if the Government finds itself unable to talk with men like Mandela and Tambo (the ANC president), then the future of South Africa is bleak indeed."

"The whole thrust of Government policy has been to thwart . . . legitimate leadership from emerging and destroy it where it does. By pandering to right wing anxieties . . . the Government fortifies them . . . it is also in danger of falling between two stools.

"Its promises of reform have created anxiety among certain sections of its supporters . . . yet the reforms themselves have made little impact on black attitudes, save to confirm the Government's implacable resistance to significant change."

"For all the people of South Africa and of the sub-region as a whole the certain prospect of an even sharper decline into violence and bloodshed . . . a racial conflagration with frightening implications threatens," warns the report: "In the absence of significant moves to break the cycle of violence we see the prospect as inevitable and that in the very foreseeable future.

"What can be done?" asks the report. "As the Nassau Accord makes clear, Commonwealth heads of Government have agreed that, in the event of further progress not having been made in South Africa within a period of six months, they would consider further measures.

"While we are not determining the nature or extent of any measures which might be adopted, we point to the fact that, the Government of South Africa has itself used economic measures against its neighbours . . . We are convinced that the Government is concerned about the adoption of effective economic measures against it.

"If it comes to the conclusion that it would always remain protected from such measures, the process of change in South Africa is unlikely to increase in momentum and the descent into violence would be accelerated. In these circumstances the cost in lives may have to be counted in millions.

"From the point of view of the black leadership, the course now taken by the world community will have the greatest significance . . . if it comes to believe that the world community will never exercise sufficient effective pressure through other measures in support of their cause, they will have only one option remaining: that of ever-increasing violence."

The report concludes: "The question . . . is not whether such measures will compel change: it is already the case that their absence and Pretoria's belief that they need not be feared, defers change. Is the Commonwealth to stand by and allow the cycle of violence to spiral? Or will it take concerted action of an effective kind?

Such action may offer the last opportunity to avert what could be the worst bloodbath since the Second World War."

General Olusegun Obasanjo (left), former president of Nigeria, and Mr Malcolm Fraser, former Australian prime minister, were co-chairmen of the Eminent Persons Group which yesterday urged the dismantlement of apartheid in South Africa

Mission to South Africa
The Commonwealth Report

Military activity 'has cost black-ruled states $10bn'

SOUTH AFRICAN military activity in southern Africa has cost the black-ruled states in the region of $10bn (£6.7bn) between 1980 and 1984, over 1m people have been displaced and thousands have died, according to a study published today by the Catholic Institute for International Relations.

The study, by Joseph Hanlon, says that since 1980 South Africa has hit targets in the capitals of Lesotho, Botswana and Mozambique (last month's raid on Harare, Zimbabwe, took place after the book was written), disrupted oil supplies to Angola, Botswana, Lesotho, Malawi, Mozambique and Zimbabwe and disrupted the railways providing their main trade routes. Military activity is either direct or covert, in the forms of support for rebel groups.

More than 100,000 people have died, most of them starved to death in Mozambique because South African-backed rebel activity prevented drought relief.

South African destabilisation, says the study, has caused $1.5bn worth of direct war damage, while higher transport costs have consumed over $1bn, export losses come to over $1bn and higher military budgets attributed to greater defence needs have cost over $2bn.

Further indirect losses have been caused by the channelling of resources into defence rather than industry or infrastructure, giving a total burden of at least $10bn, says the report.

Beggar Your Neighbours: Apartheid Power in Southern Africa, Joseph Hanlon, published by CIIR, 22 Coleman Fields, London N1 7AF. £8.95 paperback.

Keating warns of tough budget

BY LACHLAN DRUMMOND IN SYDNEY

MR Paul Keating, federal treasurer, warned yesterday that his August budget would be his toughest yet and said too much had been expected from the Prime Minister's economic address to the nation on Wednesday night, which was poorly received by the markets for its lack of detail.

Mr Keating promised his budget would follow the general tone of the Hawke address and said it was important that the Government gave scope for interest rates to fall later this year.

"I cannot predict interest rates set in the market. What I can do is to create the conditions where the falls are sustainable," he said in a radio interview.

The August budget would be the "hardest and toughest budget for sure," but one that is also "entirely appropriate to the economic conditions the country faces, which are stringent."

The Government was "well down the road" in its spending review but Mr Keating would not give a figure on expenditure cuts or the scele of the deficit.

Mr Keating also criticised the Confederation of Australian Industry for its negative reaction to the wages element of the Hawke address. "If there is to 2.3 per cent wage rise there is no wage system and their (the CAI) employers will get ripped off by claims by unions outside the accord (wage pact) — which they well know," Mr Keating said.

"We have had a wage rise of 2.3 per cent this year with price rises of 8 or 9 per cent and we are saying that despite that we'll have a further discount (on inflation rates) next year. Now that's a very hard thing to say."

Mr Keating also rejected criticism that the Hawke statement was no more specific, saying it was not meant to be a list of commitments aimed at financial analysts but a speech to ordinary Australians.

Australia's six state governments will receive their first taste of the new austerity at the annual premiers' conference today, with the federal paymasters expected to demand real cuts in funding to the states.

The states are expected to face overall cuta of up to 1 per rent in real terms, leaving them A$200m (£93.5m) worse off after inflation.

Libya may try to strengthen Moscow ties

By Richard Johns

COLONEL Muammer Gadaffi, the Libyan leader, yesterday gave notice that he might try to strengthen his country's ties with Moscow after the punitive US raid on April 16 against targets in Tripoli and Bengbazi.

Having emerged from nearly two months of virtual seclusion, he said in a televised broadcast: "We are seriously considering an allianre so that balance ia achieved"—with reference to Libya's posture as a non-aligoed nation.

It is believed that the Soviet Union bas declined to offer Libya the kind of hinding pact which it only bas with Syria and South Yemeo in the Arah world. Civen the weight of the American retaliation against Lihyan sponsorship of terrorism, Moscow's verhal backing for Lihya waa surprisingly lukewarm.

Col Gadaffi's attitude to the commitment involved in a treaty of friendship and co-operation may have changed since the US air raid.

A treaty has been the subject of desultory consultations over the past few years. Major Abdul-Salam Jalloud, the Lihyan leader's trusted aide and a hard-headed pragmatist who visited Moscow last month, may be in favour of such a hinding commitment and even the granting of military facilities to the Soviet Union.

Lihya's dependence on the Soviet Union for sophisticated weaponry is almost total. Its outstanding arms deht to the Soviet Union is believed to be in the region of $4hn-$5bn (£2.6bn-£3.3bn).

Col Gadaffi's speech came amid speculation that colleagues within the regime might be trying to persuade him to withdraw for the time being from active involvement in running the state while they concentrate on the country's growing economic problems.

Since the US air raids he has kept a low profile. His appearance yesterday at a rally at Darnah on the north-east coast and on television in what appeared to he a recorded address coincided with the 16th anniversary of the US pull-out from the Wheelus air base near Tripoli.

Col Gadaffi said any more US attacks would turn the Mediterranean into "a sea of hlood."

Egypt urged to reschedule debt

BY TONY WALKER IN CAIRO

A SENIOR International Monetary Fund official has called on Egypt to engage in an orderly rescheduling of payments on its large foreign debt, which stands at more than $30bn (£20bn).

Dr Abdel Shakour Shaalan, the IMF's regional director, said in an interview published in the latest edition of the semi-official al Mussawar magazine that Egypt had several choices in dealing with its debt crisis.

These included bilateral agreements with its main craditors or a comprehensive arrangement through the Paris Club. Dr Shaalan recently visited Egypt at the head of an IMF team engaged in consultations with Egyptian officials.

Egypt is encountering serious balance-of-payments difficulties because of reductions in its revenue from oil, tourism and expatriate remittances. The Government has indicated it would prefer bilateral rescheduling arrangements with its major creditors, notably the US, France and Spain, but these countries have said they would prefer a comprehensive agreement.

Egypt has not yet engaged in serious talks with the IMF on a standby facility, but a high-level delegation led by Mr Kamal Ganzoury, Minister of Planning and International Development, will visit Washington later this month for discussions with Fund officials.

The IMF is urging Egypt to streamline its complicated exchange rate regime, introducing pricing reforms and reduce its budget deficit.

Meanwhile Mr Abdel-Halim Abu Ghazala, the Defence Minister, has begun a visit to Washington for discussions on a range of issues, including Egypt's problems in meeting its military debt to the US.

Egypt is understood to be seeking a review of repayment terms on thet debt, which exceeds $4bn. An arrangement which would allow the Egyptians to stretch their repayments is under consideration.

Textbook row catches Japan off guard

BY JUREK MARTIN IN TOKYO

JAPAN'S embarrassment with China and South Korea over a proposed school textbook with natinnalistic overtooes appears to stem not from a conscious act of Government policy but from the successful lobbying of a small but well-connected right wing pressure group.

Japanese officials this week insisted no decision had been made to plare the hook in schools next year or to display it at next month's annual textbook exhibition.

However, the Government front was anything but united. While the Foreign Ministry said the matter was unresolved, the Education Minister, Mr Toshiki Kaifu, said the book had passed his ministry's screening processes even after extended deliberations. He added, however, that Japan's "true intentions" were being explained to China.

In 1982, proposed textbook alterations were withdrawn after strong Chinese and Korean protests. Last year, China condemned official visits to the Tokyo shrine commemorating Japan's war dead, which includes 14 convicted for war crimes, by Mr Yasuhiru Nakasone, the Prime Minister. Mr Nakasone subsequently dropped another planned visit to the shrine.

The ministry has not released the book for public consumption, but those fragments which have been reprinted in the local press suggest it revives some pretty hoary nationalistic contentions.

The Japanese right, for example, has long claimed that the "rape of Nanking" in 1937-38 did not take place and that 140,000 Chinese were not massacred in a month; the textbook says there is no consensus on whether or not the atrocities were committed.

The book also asserts that Japan did not impose "amalgamation" on Korea in 1910 but had an agreement with the Koreans to that effect.

It also appears to revive the old debate over the Emperor's divinity, which he formally renounced in 1946, and comments favourably on the pre-war doctrine of "kokutei," whereby the Japanese polity was built on the historical relationship between a benevolent emperor and his faithful subjects.

The moving force behind the new book is an organisation known as the National Council for the Defence of Japan. It has long been lobbying for a revision of the post-war "peace" constitution, as well as for even more special commemorations of the 60th anniversary on April 29 of the Emperor's rule.

Its chairman, Mr Toshikazu Kase, a well-known ultra-conservative and former UN ambassador, is widely credited with having masterminded what many Japanese felt was the surprising award in 1974 of the Nobel Peace Prize to the former Prime Minister, Mr Eisaku Sato.

Another key member is Mr Jiro Murao, formerly of the Education Ministry and a known critic of what the Japanese right wing considers the socialist slant of many post-war Japanese textbooks. Education has been a regular battleground over the years between a ministry which regards itself as something of a moral guardian and the main teacher's union, Nikkyoso, which the ministry contends is dominated by marxists.

The National Council has claimed that since about 75 per cent of its original draft was passed by the screening committee it is satisfied with the outcome.

It appears that the other parts of the Japanese government, as well as the centre and left of the academic establishment, woke up belatedly to what was going on in the screening committee.

If 1982 and last year are any guide, the government will eventually find a way to prevent the textbook going out in its presently approved form.

Tanzania to receive $800m in aid and loans

TANZANIA should receive around $800m (£536m) in aid and loans next year following an agreement on its economic recovary programma with the International Monetary Fund, World Bank officials said, Reuter reports from Paris.

After a two-day meeting of more than 20 donor countries and International bodies, Mr Jochen Kraske, World Bank official and chairman of the meeting, told a press conference that Tanzania's main foreign donors had agreed to give some $130m in ald next year.

The donors were meeting for the first time since 1977.

The donors will also release some $400m from previous commitments, held up by Tanzania's long-stalled negotiations with the IMF, Mr Kraske said.

The World Bank had also pledged $100m, he added.

Tanzania has been negotiating with the IMF for more than five years to reach an agreement on its debt, which stands at around $3bn.

Mr Cleopa Msuya, Tanzanian Finance Minister, yesterday confirmed reports from Dar es Salaam that an agreement in principla had now been reached and a memorandum of understanding signed.

Israel sets up religious council of reconciliation

SY ANDREW WHITLEY IN TEL AVIV

THE ISRAELI Government yesterday responded to the violent tug-of-war between religious and secular Jews by setting up a council of reconcillation chagred with looking into the sources of dispute.

Following Tuesday night's attempted burning of a Tel Aviv synagogue — an event which left most Israelis aghast, Mr Shimon Peres, Prime Minister, yesterday convened a second crisis meeting at which religious interest groups were heavily represented.

Tempers have risen to fever pitch on both sides aa a result of recent events, but in particular among the ardently religious community and their supporters in the Knesset.

"Stop your incitement! You lot have caused the burning of a synagogue with this incitement," one MP from Agudat Yisrael, the ultra-orthodox party, screamed at Mr Shlomo Hillel, Speaker of the Knesset, on Wednesday.

The war of words, with an occasional resort to violence, is about much more than the tastefulness or otherwise of the bikini advertisements.

As Al Hamishmar, the left-wing daily, put it yesterday, the real intention (of the ultra orthodox Jews) is to change Israel's basic character "and the country won't know peace until this is realised, or thwarted, once and for all."

Austerity package for Tunisia

By Francis Ghiles

A PACKAGE of austerity measures intended to prevent any further deterioration in Tunisia's external payments situation has been approved by President Habib Bourguiba.

However, among the measures announced by Mr Rachid Sfar, Minister of the Economy, no mention is made of any further devaluation of the dinar. The Tunisian currency was allowed to lose 10 per cent of its value last autumn and both the World Bank and the IMF, which have been actively advising the Tunisians behind the scenes, feel the dinar remains overvalued.

The measures, announced the week before an important congress of the ruling Socialist Destour Party, include a shift from capital to labour intensive measures designed to absorb the growing number of unemployed and greater encouragement to promote exports.

The Government has not forgotten the riots of January 1984 which followed the doubling of the price of bread and has indicated its intention of increasing basic wages in industry and farming.

The growing difficulties Tunisia faces on its external payments this year is due to the decline in the price of oil (one third of export receipts), a fall in remittances of Tunisian workers

Louise Kehoe in San Francisco reports on 'agreement to agree' between the US and Japan on microchip markets

US chip makers agonise over benefits of Japanese negotiation

AS THE US and Japan continne negotiations on the details of a framework agreement to settle their disputes over semiconductor trade, US chip makers are anxiously assessing the results of their year-long campaign to counter what they see as unfair Japanese trade practices.

Althougb the "agreement to agree" on a resolution of the trade dispute is widely seen as a victory for the US industry, with details of the settlement still to be worked out, there is some concern that the accord will not represent the long-term comprehensive solution that US chip makers have sought.

The "agreement to agree" was achieved in talks between Dr Clayton Yeutter, US Trade Representative, and Mr Michio Watanabe, Japao's Minister of Trade and Industry.

Initial reactions from the industry have heen extremely cautious, apparently hecause they fear that any comment at this stage might upset negotiations, and also hecause they tend to take a jaundiced view, despite their past enthusiasm for seeking a Government-negotiated settlement with Japan. "We have heard a lot of promises from the Japanese in the past, with no results," says one industry official.

There is also growing concern that the terms of the agreement, when they become public, will not fully meet the expectations of the US chip makers. "US chip makers don't want to be railroaded into a politically expedient settlement," observed Mr Michael Kubiak, an industry analyst at Kidder Peahody and Co, in San Francisco.

The US industry's often-stated goal has been to create a "level playing field" for free trade competition in the \$25hn world semiconductor market, reversing a trend toward growing Japanese domination. With trade complaint suits, filed last year, US chip makers aimed to eliminate non-tariff barriers which, they claim, have prevented them from gaining their fair share of Japanese chip purchases. Another important issue has heen finding a way to prevent Japanese companies duoiping chips in the US at "helow fair value" prices.

Both issues will be addressed in the accord. Although detaila of the agreement are still being worked out, US chip makers are expected to hc promised a 20 per cent share of the \$9hn Japanese chip market, roughly doubling their current sales io Japan, over a five-year period.

In return, two major dumpinc charges against Japanese chip makers covering "dynamic random access memory" chips and "erasable programmahle read-only memory" chips will he suspended.

In addition, the governments of the US and Japan are expected to set up a price and production cost monitoring system designed to ensure that dumping does not occur in the future.

It is clear that the US chip makers had hoped to achieve much more than the 20 per eent share of the Japanese market that they are now being offered.

But even a 20 per cent stake of the \$9hn Japanese chip market represents a major new opportunity to US chip makers.

There are questions about the US industry's ability to meet such an increase in Japanese demand. "To double their sales the US companies would need to make major investments in Japan," points out John Lazlo of Morgan Stanley. "Where is the money going to come from?"

Analysts raise several other important questions about the Japanese agreement to huy more US-made chips. Initial reports suggest that the Japanese Ministry of International Trade and Industry (Miti) has persuaded only the top dozen or so Japanese electronics companies to adopt its "affirmative action plan" on huying American chips. These companies also represent the US industry's strongest competitors.

Two aspects of the plan are worrisome to US chip makers. First, they complain, the scheme would prevent them gaining direct access to some of their largest potential customers in Japan — automotive and industrial manufacturers. Secondly, they are wondering what types of chips their competitors will want to huy.

Orders for commodity chips with lower profit margins would be of little henefit to US manufacturers, hut orders for the very latest cbips would raise concerns that Japanese companies might "reverse engineer" their products.

The scope of the proposed anti-dumping system is as yet unknown. Although US chip makers had sought a "global" system covering all Japanese chip sales worldwide, there are now some indications that the system will apply only to Japanese sales in the U.S. This would severely limit the effectiveness of the system from the US point of view.

"If the Japanese can sell chips in the 'rest of the world market' for lower prices than they can sell in the US, then this will accelerate the movement of US computer makers offshore," points out Mr Kubiak.

He also says that the 8 per cent profit margin above production costs that is considered a "fair price" under US law is precious little. US manufacturers could not compete with such prices in many cases. By setting a floor price on semiconductors the scheme might encourage Japanese manufacturers to lower the prices of many of their products, he fears.

Nonetheless, any agreement on the part of the Japanese to raise prices must be helpful to the US industry. "For the first time the US industry will be able to increase its market share both in Japan and the US, says another analyst. She predicts that Japanese manufacturers will lose market share in the US when they are unable to undercut US prices.

Crucial aspects of the US semiconductor industry's problems with Japanese competition are beyond the scope of the trade agreement. Most important is the lower cost of capital in Japan. Because the semiconductor industry is highly capital intensive with the cost of a new production plant averaging over \$50m, this gives Japanese companies a major advantage.

Another unresolved issue is alleged Japanese copying of US chip designs. Intel, a major US chip maker, is currently battling NEC, one of the largest Japanese semiconductor manufacturers in a complex court case that centres upon charges that the Japanese company has infringed Intel's microprocessor copyrights, and Texas Instruments is suing eight Japanese and one Korean company.

Texas Instruments, the largest US chip maker, has also filed a related trade complaint that has been described by US International Trade Commission officials as potentially the largest ever in terms of the value of products that it covers.

But the greatest discomfort in US semiconductor industry circles concerns Government control of semiconductor trade. Although the industry sought Government intervention to solve its trade problems, industry leaders are strong "free trade" advocates. They resent suggestions that by agreeing on price guidelines with their Japanese competitors they are effectively setting up an industry cartel.

Industry analysts fear, however, that the new accord will bring an end to free trade in commodity semiconductors. Given the continuing litigation their fears may not be realised.

It is not often that Japanese Industry and Japanese Government officials disagree in public as a result, both sides are pntting np a public front of "no comment" on the recent framework agreement reached between the US and Japan on semicondnctor trade, writes Carla Rapport in Tokyo.

Privately, however, Japanese electronics industry execntives are disgruntled with the progress of the talks, with reactions that range from ontrage to resigned disappointment. "I think the Japanese side has suffered two losses hnt made no gains. We are the scapegoats of all this trade friction," said a senior exeentive at one of Japan's largest electronics companies.

The Japanese expect the settlement between the US and Japan to inclnde a commitment to boost the US share of the Japanese market by 20 per cent, or a commitment to triple US semicondnctor sales in Japan in dollar terms within five years.

Second, they expect that tbe US Department of Commerce will assign eacb Japanese chip exporter a "fair valoe" for chips sold in the US. Tbis fair valne may also apply to chips made in third countries. The value is also expected to be passed on to EEC officials, in order to prevent charges of a US-Japan semlcondnctor cartel.

Both resnits, according to Japanese industry executives, are unfair to the Japanese. Major chip purchasers point out, for example, that more than half the chips bought by Japanese companies are used in consumer goods, while the figure in the US is much lower.

One major VCR maker said that 83 per eent of the semieonductors it buys are designed for its specific needs, and according to a reeent survey it had condncted only 3 per cent of its needs eould be satisfied by American makers.

"My impression is that Miti is giving in to the US, rather than fighting our case with statistics," said an industry exeentive. "The most sophisticated chips in the world are being developed here in Japan," comments another hitterly. "When the US realised it was behind, it filed these complaints."

Miti has shifted its stance in the past year from a defensive one to a more conciliatory posture. This is partly because the Government did not want the bnmiliation of losing the US 301 unfair trade suit, nor did it tbink the industry could survive an imposition of dumping dnties or quotas on dynamic random access memory chips, particularly as the new 1 megabit market is now picking up.

One Japanese exeeutive noted that US companies had made large investments in Europe to avoid high tariffs, which accounted for their relatively large market share in Europe.

"Bnt where is the investment here?" he asked. Japanese executives also fear that Texas Instruments, the one US company which is a major prodncer of chips in Japan will be exempt from any price monitoring system.

New battle looms for Bangkok bus tender

BY CHRIS SHERWELL IN SINGAPORE

A CONTROVERSIAL project to revamp Bangkok's ailing hus system may have to he put out to tender again following this week's decision hy the Thai Cabinet to reject a \$45m (£30m) hus leasing plan from a Singapore company.

A re-tender would mean a fresb battle for the British consortium led by Leyland Bus, which was the clear front-runner for the valuahle contract from the time it first surfaced in 1984 until late last year.

It would also mean yet more delays and still further losses by the Bangkok Mass Transit Authority (BMTA). Despite this, no decision seems likely or possible until after the general election set for July 27.

The Thai Cabinet's decision was made on Tuesday after written complaints from the local assemblers of buses made by Mercedes Benz of West Germany and Hino and Isuzu of Japan.

Having shown little or no interest in the original project, the assemblers stoutly objected to the leasing deal put before the Cabinet, sayiog they could supply huses on that hasis more cbeaply.

Tbe \$45m deal involved Motor and Leasing of Singapore, which would have leased 1,000 huses to the BMTA. The company says it had the agreement and support of the project's evaluation committee, the BMTA, and Mr Samak Sundaravej, the Communications Minister.

The plan was hammered out following last year's Cabinet rejection of the Leyland consortium's £385m proposal on the grounds that it would add heavily to the country's foreign deht hurden.

At that time Leyland, together with its partners, the Nattonal Bus Company and MVA Consultants, submitted a £94m revised proposal to make a start on the project. This retained a substantial element of UK aid, but it received no official response.

By raising the possibility of leasing, the Motor and Leasing deal with the BMTA injected a completely new element into the project and quickly provoked the other Thai assemblers into taking a fresb look at it.

If a re-tender is called, as now seems likely because of the apparent change in terms, the Leyland consortium would bid again. But the project would almost certainly be a scaled-down version of the original plan.

Philips, Du Pont in \$25m audio link with Italy

BY JOHN WYLES IN ROME

PDO, the optical media joint venture between Philips of the Netherlands and Du Pont of the US, yesterday joined forces with the Italian state telecommunications company to announce a new \$25m (£16.6m) joint venture to produce and develnp compact audio and data diacs at a plant near Rome.

Production will start in 1988 and should reach 15m CD-audio and CD-ROM (read only memory) discs by 1989. According to yeaterday's announcement, initial output will be mainly audio discs and production of CD-ROMs will expand more gradually.

STET, the Italian telecommunications bolding company, will own 51 per cent of the new venture, PDO 39 per cent and Philipa' Italian aubsidiary, 10 per cent.

Some of STET's bolding may he sold to another partner without the state company ceding control on the joint venture.

The project is one of the first fruits of the PDO partnership which became operational earlier this year. It is aiming at a major share of the worldwide optical disc market which is likely to be worth more than \$4bn by 1990.

Much of this growth is expected from the replacement of records and eassettes—which currently represent 96 per cent of the audio market—by compact discs.

According to Mr Alfred B. Bok, PDO's chief executive, compact discs should cut the records share of the market to 20 per cent and that of cassettes to 30 per cent.

Steady growth is also expected in the sales of CD-ROM discs wbich have a huge storage capacity of 600 megahytes so that a single disc is capahle of storing an entire Encyclopaedia Britannica.

Austin Rover launches Peugeot car in Japan

BY CARLA RAPOPORT IN TOKYO

Austin Rover Japan launched the Peugeot 205 in Tokyo yesterday, with the message that it was looking for "fasbion-conscious men and women" to buy the French car.

Austin Rover said it planned to sell 700 Peugeot 205a this year, and perhaps 1,000 next year through its widening network of dealers.

Only 139 imported Frencb cars were sold in Japan iaat month—according to industry statistics—and that figure was an all-time record.

Imported cars hava only a few percentage points of the Japanese car market. But recently, largely because nf clever marketing by the Germans, sales of imported cars have been showing good growth.

Further Austin Rover says the market for lmported batchbacks has been growing by about 18 per cent a year over the past three years. This market, with about 11,000 units a year, is almost totally dominated by the Volkswagen Golf.

Austin Rover bas 32 dealers in Japan, but plans to expand the network to 80 dealers by 1988. The company has doubled its advertising budget to support the new Peugeot car.

Austin Rover has increased its own sales in Japan from 400 cars a year to 4,000 cars a yaar in the past three years, and expects to double sales within the next few years.

Kenneth Gooding adds: Last December, Austin Rover eigned an exclusive deal to import the Peugeot 205, one of Europe's best-selling cars, to Japan. It also announced it had concluded arrangements to increase substantially the number of Japanese dealers who will sell its products.

Nisshimpo, a leading Japanese finance company, whose main shareholder is Azabi Motor, will select 100 main dealers from the 7,000 who use its financial packages to form a network to sell a special edition of tho Mini.

Half the dealers eventually will be offered tha full Austin Rover Japan range.

Ulster stalemate brings end to Assembly

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE GOVERNMENT yesterday formally acknowledged the present stalemate in its plans for devolution in Ulster and announced the dissolution of the Northern Ireland Assembly.

The decision, announced by Mr Tom King, Secretary for Northern Ireland, was accompanied by a firm restatement of the Government's commitment to the Anglo-Irish agreement signed last November and to the principle of devolution for the province.

Both Mrs Margaret Thatcher, the Prime Minister, and Mr King told the House of Commons that the invitation to all constitutional parties in Northern Ireland to discuss with the Government the best way forward remained open.

Mr King urged the Unionist parties in particular to return to the House of Commons, which they have been boycotting in protest at the Anglo-Irish agreement, to argue their case.

He wanted them to discuss devolution and the possibility of a round-table conference, the future of the assembly, arrangements for handling Northern Ireland business at Westminster, and new means of consultation between the Government and Unionist leaders.

The assembly was set up in 1982 to consider the best way of forming an administration in Ulster and to scrutinise the activities of the Northern Ireland Department. But the plan was struck an early blow with the decision of Social Democratic and Labour Party MPs not to attend the assembly. Last December, the Unionist parties ceased to take part in the assembly's monitoring activities. They have since refused to discuss with the Government the position of the assembly.

The assembly is due to reach the end of its normal life in October, at which point new elections would be automatically triggered within six weeks. The Government's decision does not abolish the legal basis for an assembly but leaves the Government free to set the date for new elections to a fresh assembly.

Mr King said the winding-up of the assembly represented "a lost opportunity." It had not been a total failure and had proved it could perform a useful role, particularly in respect of its monitoring activities.

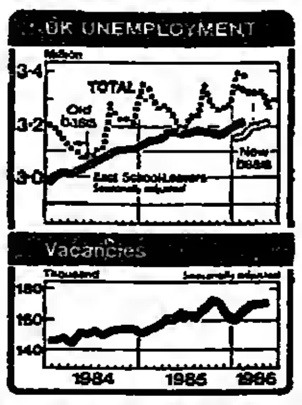
He said the future date of any elections was impossible to predict. He could not rule out elections as early as November but he said that talks with all the main political parties were an essential precondition of any poll.

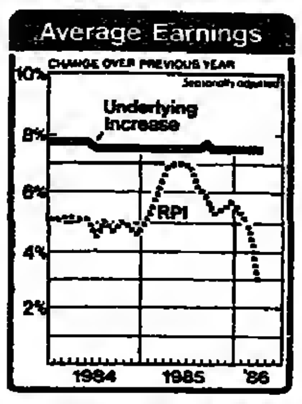
Mr King said that it was important that people in Northern Ireland should have a much more immediate say in the running of the province. There had been, he added, "a considerable concentration of minds over the Anglo-Irish agreement and a period of argument in which people are considering what the right way forward will be."

He acknowledged that it would be unrealistic to expect "constructive political thought" with the onset of the loyalists' marching season in the province.

Underlying jobless total rises for sixth month

BY GEORGE GRAHAM





BRITAIN'S underlying jobless total rose again last month for the sixth month in succession, and Government officials said the trend is continuing upwards. For those in work, however, earnings continued to outpace inflation by far.

The number of benefit claimants, including school leavers, fell last month by 54,200 in the month to May 8, the Department of Employment said yesterday, but this total would normally be expected to fall even faster at this time of year.

The seasonally adjusted total, which is regarded as the best guide to labour market movements and which excludes school leavers, rose by 5,600 in the month to 3.21m, or 13.2 per cent of the working population.

That left the average monthly increase over the last six months at 15,800, but officials said they viewed 10,000 to 15,000 as a more realistic view of the upwards trend, leaving out March's unexpected leap in the jobless total of nearly 38,000.

A further 355,000 people were employed in special schemes last month, and the Department of Employment estimates that 265,000 of them would have showed up in the unemployment total had it not been for these schemes.

In addition, changes to the compilation of the statistics introduced in March have reduced the recorded total by an average of 50,000. The Unemployment Unit, an independent pressure group, calculates that this and 14 other changes made to the unemployment figures have reduced the published total by 422,000.

The Unit's own figures show seasonally adjusted unemployment at 3.63m, or 14.8 per cent of the working population. The Government plans a further change to the statistics next month. It will introduce a new figure for the unemployment rate as a percentage of the total labour force, including the self-employed and the armed forces, which is expected to show a rate about 1.5 percentage points lower than the present definition.

Average earnings in the year to April rose by 8.7 per cent, the Department of Employment said yesterday, with the underlying rate of increase remaining at 7½ per cent after adjusting for the effects of teachers' and health workers' back-pay.

Earnings are now rising at nearly three times the rate of inflation. The Retail Price Index for May, to be published this morning, is expected to show a further fall in inflation from last month's rate of 3 per cent.

The level of employment in manufacturing industry continued its steady decline, dropping a further 7,000 in April to 5.38m. It has fallen by 56,000 over the past year. Employment in the energy and water supply industries fell by 1,000 to 570,000 in April.

Comparisons with other industrialised countries in the Organisation for Economic Co-operation and Development show that only Spain and Ireland have higher unemployment rates than the UK.

The UK's rate of 13.3 per cent compares with 10 per cent in France, 8.5 per cent in West Germany, 7 per cent in the US and 2.6 per cent in Japan.

BL's loss-making bus offshoot to be sold by tender

BY JOHN GRIFFITHS

BL's loss-making Leyland Bus subsidiary is to be sold by tender to one of three rival bidders.

The three, the Laird Group, Aveling Barford and a management buy-out consortium, have been told to submit their tenders to Hill Samuel, the BL board's merchant bank advisers, by June 26.

The board will make a recommendation to the Government as soon afterwards as possible, BL said yesterday.

The company deprecated any notion that there would now take place a simple auction of Leyland Bus to the highest bidder, irrespective of wider considerations of the company's and the UK bus industry's future.

BL said the three contenders were being asked to refine the proposals they had made at the beginning of this year, when the state-owned group had hoped to sell off all its commercial vehicle businesses.

The use of the tender procedure means that there is no prospect of the BL board ultimately rejecting all the bids and retaining Leyland Bus within BL, as happened with Land Rover.

Whichever group takes control, it is expected that the acquisition will trigger a new round of rationalisation in the UK bus industry. It has already more than halved in size since the late 1970s but it is still suffering from sharply depressed demand and severe over-capacity.

Leyland Bus itself, which employs just under 3,000 is understood to have accounted for about £30m of the overall £52m losses made hy BL's commercial vehicles operations last year.

The status of both Leyland Bus and Leyland Parts is to be changed to enable the tender process to go ahead. Each needs to be made a registered limited company, as both are at present simply operating divisions of Land Rover-Leyland.

The purchaser of Leyland Bus will have an equity stake in Leyland Parts to ensure access to aftermarket business. Leyland Parts will remain with BL, as it handles both bus and truck parts.

Only the Laird Group, whose Metro-Cammell-Weymann subsidiary is Leyland's main UK bus-making rival, has been fairly specific about its intentions.

Mr John Gardiner, Laird's chief executive, said yesterday that deregulation of the UK bus market and the collapse of export markets meant that "all the UK bus companies are currently going down the chute."

MCW itself, he said, had very few orders and he believed Leyland to be in a similar position. But Laird was pressing ahead with its bid in the belief that, while the UK's traditional bus market was dying, "in a year or two" worthwhile demand would emerge for medium-sized buses on which a new UK industry could be based.

"We either rationalise and prepare for it, or hand it over to European imports," he said.

The management consortium is led by managing director Mr Ian McKinnon. The emergence of merchant bank Kleinwort Benson as its advisers and BL's inclusion of the consortium in yesterday's tender announcement indicates that it bas persuaded potential hackers that Leyland Bus can be vlahle on the basis that last year's losses represented a halance sbeet deck-clearing.

Nissan in talks to buy British importer

By Kenneth Gooding, Motor Industry Correspondent

TOUGH negotiations have been going on in London this week over the sale of Nissan UK, the privately owned Japanese car import company.

Nissan, Japan's second-largest vehicles group, has linked with Mitsui, one of the country's major trading houses, to buy the UK company, but protracted talks about terms have so far proved inconclusive.

One of the stumbling blocks has been Nissan's reluctance so far to announce publicly that it is to go ahead with the second phase of its UK car production project.

Nissan UK and the management at the factory at Washington, north-east England, have been trying to smooth the way for the Japanese group to move to the second phase, which would involve the production of 100,000 cars a year with a high European content.

Mr Iran Gibson, purchasing director of Nissan Motor Manufacturing, the Washington company, revealed yesterday, that the local content of the British-built cars would rise to about 40 per cent (by ex-factory value) very early in stage one of the project.

Phase one involves the assembly from imported Japanese kits of 24,000 cars a year.

Mr Gibson added that the high level of local content of the phase-one cars, due to come into full production in July, should calm fears that Nissan might not be able to live up to its agreement with the UK Government to incorporate at least 60 per cent European content in the vehicles produced in the second phase.

The import company, Nissan UK "on the understanding that Nissan will rapidly move to phase two" has started a major restructuring of the dealer network by a development programme on which it is willing to spend £100m.

Nissan of Japan and Mitsui have let it be known that they are willing to offer about £150m for the UK company, or slightly more than the net asset value – shown in the latest accounts as £139.8m.

Mr Octav Botnar, who built up Nissan UK since 1970 to the point where it is the largest independent car importer in Britain with a 6 per cent market share, seems to be arguing that his company is worth a great deal more.

If a deal can be worked out, it is understood that the Nissan-Mitsui partnership would first take a minority stake in Nissan UK, perhaps 26 per cent, and acquire the rest two years later.

Government accused of tin crisis complacency

BY STEFAN WAGSTYL

THE GOVERNMENT yesterday issued a strong defence of its handling of the tin crisis in response to a highly critical report into the affair from the House of Commons select committee on trade and industry.

The Department of Trade and Industry also said that, after the default of the International Tin Council (ITC) which precipitated the crisis last October, the Government would be keeping under close review its responsibilities to other international trading organisations and similar bodies.

The select committee immediately condemned the Government's response as unduly complacent and repeated its demands for a parliamentary debate on the crisis. Mr Kenneth Warren, the chairman, said he expected a debate to be held in the next few weeks.

MPs were particularly concerned that the House of Commons should consider their complaints that the Government had failed to co-operate properly with the committee by failing to provide information. "We urge the House to ensure that debate on the refusal of ministers to give us information, which affects the whole select committee system, is not eclipsed by the (equally important) general debate on the tin crisis, as appears to be the hope of the Government," said the committee in a statement.

For its part, the Government rejected claims that it had been obstructive. In a memorandum to the committee, the DTI said that ministers and civil servants followed the same rules as had long been applied to select committee investigations.

The Government also denied that it had been negligent either in issuing proper warnings before the crisis to those involved in the tin market or in the (unsuccessful) attempts made to reach a negotiated settlement to the affair between the tin council and its creditors.

The Government accepted the committee's remarks that it was wrong that the tin council's buffer stock manager, who controlled the ITC's market operations, could keep much of his activity secret. But it said that when it joined the Sixth International Tin Agreement in 1982 there was no reason to suppose that information would be refused. The Government was taking steps to make sure that this situation could not recur elsewhere.

Turning to the Cornish tin mines, the Government made a surprising statement of faith in the industry's future. It rejected the claims made by the committee that if the mines now closed, because the fall in prices had made them unprofitable, they would never reopen. "Known Cornish tin reserves are substantial and can be worked commercially wban tin prices rise sufficiently to make the operations viable."

'Radical' shift in work patterns

THE WAY people work will change much more radically over the next five years than the number of people working, according to the most extensive company-level inquiry on the future of employment ever conducted, John Lloyd writes.

"UK Occupation and Employment Trends to 1990," a privately-financed research operation undertaken by the Institute of Manpower Studies (IMS), shows that the loss of some 600,000 jobs in production industries will be roughly balanced by the creation of 540,000 jobs in services.

At the same time, self employment will grow very strongly: about 200,000 more people will be working on their own account by the end of the decade. That movement will help to increase employment in small companies by 700,000: big business will continue to cut its labour forces.

The percentage of part time workers – mainly women – will grow from 21 per cent to 25 per cent of the total working population. A major factor behind these moves is a continuing desire by big companies to subcontract manufacturing and services functions to other, usually small, companies.

Women's employment will benefit particularly: their share in the total is expected to grow from 45 to 50 per cent by the end of the decade. Many of these, however, will be low paid and part time – although in some sectors, especially business services and retail, part-timers are now being trained and rewarded more highly.

Clear messages from employers, says Amin Rajen, the IMS project director for the study, are that managers are important and must gain a broadened administrative, planning, commercial and human relations skill-base; and that there will be "a need for a general enhancement in the skills and flexibilities of the workforce."

New technologies, especially in production industries, are displacing unskilled jobs and creating the need for new ones at an increasingly rapid rate.

Employers expect the removal of Wages Council (low pay) protection for young workers to increase the demand for workers in the 16-24 age group. They also expect a growth in young workers because of special policy measures like the Youth Training Scheme, and because new technologies require a more adaptable and trainable workforce.

Sir Austin Bide, president of Glaxo and initiator and chairman of the research project, said yesterday that the report represented the first time facts had been assembled on this scale.

"If these insights prove helpful to policy-makers and lead to improved prospects for employment, the fact that this would invalidate the present forecast would be good news."

UK Occupation and Employment Trends to 1990: by Institute of Manpower Studies for the Occupations Study Group: to be published by Butterworths: £30

BL seeks change of name to Rover

BY OUR MOTOR INDUSTRY CORRESPONDENT

SHAREHOLDERS at BL's annual meeting next month will be asked to approve a change in the name of the state-owned vehicles company to the Rover Group.

This is being seen as further evidence that BL's new chairman and chief executive, Mr Graham Day, intends to adopt a high profile.

The group said yesterday that the adoption of tha name BL had not been effective because its former name, British Leyland, continued to be widely used.

"There is a need for the company to have a name which better identifies it and is supportive of marketing efforts," it added.

BL stressed that the proposed change did not mean the other names used by the group – such as Austin and MG in the cars group and Sherpa, Land Rover and Range Rover in the commercial vehicles division – would be dropped. Leyland would continue to be used in connection with the group's commercial vehicle interests.

The possihility emerged yesterday of an embarrassing row at the annual meetting about the future of Mr Ray Horrocks, the BL executive director formerly responsible for the car division.

Mr Horrocks, who is 55, has offered himself for re- election at the meeting on July 7 and obviously intends to make his case forcibly unless he and BL can agree terms for him to leave the group before that time.

He has already shown be is ready to make his views known about the way he has been treated by the Government.

He told a recent meeting of the House of Commons trade and industry select committee that he had been "disciplined" by Mr Paul Channon, the Trade and Industry Secretary, for leading the opposition within BL earlier this year to a merger of the Austin Rover subsidiary with Ford – an idea which at the time had considerable attractions for the Government.

Mr Horrocks suggested he was punished by being passed over for the chairmanship of BL in favour of Mr Day, Mrs Margaret Thatcher's personal choice for the joh.

There remains no doubt that Mr Horrocks is to leave BL – Mr Day took over the car operations, previously Mr Horrocks's responsihility, on his arrival on May 1 but the negotiations about his severance terms are apparently proving to be tough.

Men and Matters, Page 18

Hoverspeed taken over by Sealink

By Andrew Fisher
Shipping Correspondent

SEALINK British Ferries yesterday announced a further shake-up in the cross-Channel market with its £5m purchase of Hoverspeed, the hovercraft company which nearly collapsed two years ago after heavy losses.

The deal comes as the market is threatened by the prospect of a Channel tunnel and reflects a marked improvement in the fortunes of Hoverspeed. Hoverspeed was formed in 1981 by a merger of Swedish-owned Hoverlloyd and Seaspeed, a former British Rail subsidiary, and operates five craft.

Sealink is also contemplating two big new $35m car, truck and passenger ferries for its Irish Sea and Harwich-Hook of Holland services. Mr Nigel Tatham, managing director of Sealink, said they could be ordered by the end of this year.

With the likelihood of a tunnel, however, no new ships are being considered for Dover-Calais, although second-hand ones could be added. The rival operator, Townsend-Thoresen, part of European Ferries, has ordered two new cross-Channel ferries for a total of £70m.

Sealink said it had not spoken to the Office of Fair Trading about possible monopoly considerations on the deal, which it did not expect to arise because of Hoverspeed's small size io relation to the market.

Despite bopes of profits after the merger five years ago Hoverspeed stayed in the red, producing a loss of £3.2m in the financial year to October 31 1983. It was then bought for a nominal sum by its management.

In 1984-85, however, it made a profit of nearly £200,000 against a £620,000 loss the previous year. Mr Tim Redburn, the 32-year-old finance director who now becomes general manager, said: "We are looking at a profit of between £500,000 and £1m."

Hoverspeed had problems with its reservations system after the merger and in 1985 bore the costs of moving its administration from Ramsgate to Dover and of difficulties with a new computer system.

Mr Redburn said the Anglo-French decision to build a Channel tunnel was one reason for the purchase by Sealink, which operates to Dover and Boulogne. "It would be difficult for hovercraft to compete against the tunnel," be said.

Print union avoids split over Wapping

BY HELEN HAGUE, LABOUR STAFF

A CLASH between the leadership of the print union Sogat '82 and its London branches over the tactics to pursue tha union's dispute with News International was averted yesterday.

The London branches had criticised the leadership's handling of tha dispute with Mr Rupert Murdoch's company but, at the union's conference in Scarborough, Yorkshire, their delegates adopted a conciliatory and unifying tone.

A motion by London central branch, calling for an honourable settlement "based upon firstly the reinstatement of our sacked members and full recognition of the traditional print union" at the New International plants was carried unanimously.

About 5,500 print workers, including 4,300 Sogat members, were sacked five months ago by News International after going on strike over the company's move to a new plant in Wapping, east London, and Glasgow.

Ms Brenda Dean, Sogat's general secretary, told the conference she accepted without equivocation that sacked members had rejected Mr Murdoch's "final" offer of compensation in ballots last week because they wanted joh opportunities and trade union rights inside the company's plants.

Mr Norman Willis, general secretary of the Trades Union Congress (TUC), said the TUC would be "presistent and unflagging" in its efforts to find an acceptable outcome to the dispute in the interests of the sacked printworkers.

● Journalists planning to quit The Times and The Sunday Times – the two "quality" News International titles – have been asked to leave immediately rather than to serve their periods of notice, David Brindle writes.

The move, disclosed yesterday, reflects the fresh tensions between editorial staff and management at Wapping.

About 16 Times journalists are believed to have been working their periods of notice, usually four months, prior to joining the Independent, the proposed new daily newspaper.

Labour Party executive expels Hatton

By Michael Cassell

THE LABOUR Party yesterday scored its most crucial and sought-after victory in the campaign to cleanse itself of the Marxist Militant Tendancy supporters by expelling Mr Derek Hatton the deputy leader of Liverpool City Council.

The expulsion, voted through in the absence of Mr Hatton, came only after a last-minute High Court attempt by Mr Hatton's lawyers to prevent labour's national executive committee (NEC) from hearing the case against him.

The Liverpool councillor's bid to halt the proceedings was hriefly successful when the High Court granted a temporary injuction halting the London hearings. In response, the NEC suspended the Hatton session and went on to consider the membership of Mr Richard Vernon, the spokesman for Mersey Militant, the Liverpool newspaper.

But at a later hearing Sir Nicholas Browne-Wilkinson, vice-chancellor of the High Court, said it was inappropriate to continue the injunction.

Senior MP appointed to vetting committee

BY HAZEL DUFFY

MR MERLYN REES, MP, a former Labour Home Secretary, bas been appointed hy the Prime Minister to the committee which vets senior civil servants who wish to move into the private sector.

Mrs Margaret Thatcher gave the membership of the committee in a parliamentary written answer yesterday. It is the first time that the membership has been made known since 1984, when the House of Commons Treasury and Civil Service select committee investigated the procedures governing the movement into the private sector of senior civil servants.

The names of three new members were given: Admiral Sir Anthony Morton, former Vice Chief of Defence Staff and Vice Chief of Naval Staff; Sir Trevor Holdsworth, chairman of GKN; and Mr Rees.

The first two appointments replaced members wbo died, while the addition of Mr Rees will be seen as going some way towards meeting the recommendation of the MPs on the select committee that two senior hackbenchers should be appointed to strengthen the vetting procedure.

MPs back clampdown on insider deals

BY KEVIN BROWN

THE HOUSE of Commons yesterday approved Government proposals to give the Trade and Industry Department new powers to crack down on insider dealing.

An amendment to the Financial Services Bill, which sets up a new regulatory framework for the financial services industry, will give the department stronger powers against husinesses suspected of withholding information.

The amendment, moved during the resumed report state in the debate, is aimed at overseas intermediaries, which may be outside UK jurisdiction and less susceptible to other legal provisions contained in the Bill.

Mr Michael Howard, the under secretary for trade, said inspectors would be able to apply to e court for a directinn enabling the Trade Secretary to withdraw authority to trade from a company suspected of withholding information, or to prohibit other businesses from trading in investments on its behalf.

Mr Howard said the amendment would mean that the access of an overseas intermediary to the UK market would be completely cut nff if information was withheld without a reasonable excuse. The Government would take into account the limit of the knowledge which it was reasonable to expect a business to have.

But the amendment was based on the premise that if an overseas bank could find out the identity of the principal behind the suspected criminal transaction on the UK market and chose not to do so, it was reasonable for the bank to have restrictions imposed on its UK activities.

Mr Bryan Gould, Labour's trade spokesman, said insider dealing was growing in scope, particularly in the context of major takeover bids. He said he welcomed the amendment as evidence of the Government's seriousness of purpose, hut be said there was no certainty that it would close every loophole.

Mr Anthony Nelson (Conservative) said the amendment would deal in a "tough fashion" with the mischief of insider dealing which was more rife than was generally recognised, and was difficult to detect and prosecute.

"There is great cause for concern about the way in which offshore mediums are being used to cover up for insider dealing," he said. The amendment was approved.

Mr Howard resisted an amendment tabled by Sir William Clarke (Conservative) seeking to set up a statutory register nf people employed in buying, selling or advertising insurance investments and unit trusts. The amendment was withdrawn after Mr Howard said that the register could mislead the public into believing that registered salesmen were more competent than was justified.

He said the provisions in the Bill allowing dishonest salesmen to be "blacklisted" would provide a real safeguard for investors.

A Labour attempt to bring the Stock Exchange Takeover Panel within the scope of the Bill, giving statutory force to the provisions of the Takeover Code, was defeated by 215 votes to 113, a Government majority of 102.

SCOTTISH YARD AWARDED FABRICATION ORDER FOR EIDER FIELD

Shell/Esso place £46m offshore contract

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

SHELL AND ESSO which operate jointly in North Sea oil developments, yesterday announced a £46m construction order with Highlands Fabricators yard in the North-East of Scotland.

The order for tha jacket nr legs fnr Shell's Eider Field, 117 miles Nnrth-East of Shetland, is the last big fabrication order which the offshore industry is likely to place for many months becanse of the slump in the price of oil.

Many oil companies have shelved their new offshore development plans and other operations, such as drilling, bave been beavily cut back.

The announcement from Shell UK Exploration and Production, the offshore operator for the two oil companies, said that the total cost of the Eider development had been reduced to £480m from the original estimate of £640m. Shell bas also reduced the costs of the neighbouring Tern Field programme from £910m to £730m.

About £30m has been saved by not pre-drilling the wells and slowing down the planned flow of oil from the field. Peak production of around 45,000 barrels of oil a day will be rearbed in 1990 instead of 1989.

The new oil platform will be unmanned with the controls and some of the processing of oil handled by the North Cormorant platform eight miles to the south, and Tern Field platform 10 miles to the south-west.

Eider is a marginal oilfield with estimated reserves of 85m barrels. It was not considered commercially viable in the late 1970s, but Sbell reactivated the project after the easing of oil taxes in the 1983 budget.

Projects costing around £400m are again not considered economic in the light of the poor oil price, but Shell has taken a long-term view of its offshore developments.

Mr Brian Lavers, technical director of Shell UK Exploration and Production, said in a statement: "We have great faith in the North Sea but in view of the very considerable uncertainty which stretches to at least the end of the decade, keeping production costs down is the first priority for all concerned."

In a recent speech be also said that Sbell exploration and Production bad to work on the assumption that the oil price would recover to the levels of the past decade.

The order for Highland Fahricators will provide jobs for about 950 people with indirect work for a further 400. The 19,250 tonne, 590 ft tall jacket will be among the larger models as it will stand in the deeper waters of northern oil fields.

Some £90m in fabrication orders from Shell for the Eider project bave all gone to British yards. The Whessoe offsbore yard at Middlesbrough is building the £32m deck and two drilling modules, and Redpath Engineering in the same town is building the living quarters and belicopter deck worth £11m.

Shell also announced an order worth £6.5m with the British Steel Corporation for steel for the jacket. About 85 per cent of the steel will be made at the Ravenscraig works in Scotland and the rest at Scunthorpe, Lincolnshire.

Highland Fabricators, which is jointly owned by Wimpey and Brown and Root, have nearly completed a jacket for BP's South East Forties Field which is due to be handed over later this month.

The yard is also working on a support module for Marathon Oil's Brae Field but has recently started to run down its 1,500 workforce. The other yard which bid strongly for the Eider contract was McDermotts at Ardepsier on the Moray Firth nutside Inverness and one of the major employers in the area.

THE PROPERTY MARKET BY WILLIAM COCHRANE

RETAILING AND LEISURE

Megacentre for Sandwell

BRITAIN is to get its own retailing and leisure megacentre on the scale of the West Edmonton Mall in Canada, if a combination of a German-owned property company and a West Midlands local authority gets its way.

This week Sandwell Metropolitan Borough Council gave outline planning permission to Color Properties, of Lower Quinton near Stratford upon Avon, for a £500m, 5m sq ft national and regional centre comprising integrated leisure, entertainment, recreation and shopping facilities, with car parking, at Wednesbury, north of West Bromwich.

This may give pause to one or two people in the retail end of the property industry, who found it difficult to accept the case for UK leisure facilities on this scale—who may have expected plans to be trimmed, to fit their perception of what is right for the UK market.

It happens that Gordon Milne, managing director of Scottish Metropolitan Property, was speaking on the subject this week at the Property Agents International (PAI) annual conference at the Crest Hotel, Erskine Bridge, Glasgow.

"In Canada," he said, "the West Edmonton Mall of 5m sq ft contains 3½m sq ft of shopping and 1½m sq ft in two theme centres and a water park, all under cover. The frightening aspect of that is that the support population is only 600,000."

He was also, clearly, of the party which has said until now that West Edmonton Mall, developed by the Ghermezian family which came out of Iran to set up its Triple Five organisation in North America, was unlikely to be matched in this country.

He was in eminent company. Delegates to the International Council of Shopping Centres conference in The Hague this April marvelled at a presentation by Ron McCarthy, vice president of Forrec Construction of Toronto which designed and developed all the West Edmonton leisure facilities — "white knuckle" rollercoaster rides, a waterpark, submarine ride, etc, etc.

Privately, they speculated on where the money might have come from and agreed it could never happen here.

Color Properties is the UK operation of a German family business owning 7m sq ft of industrial and business property, said Igor Kolodotschko, UK director and a member of the family, this week. He said that the scheme could cost up to £500m in all phases of the development — including the fitting out costs to be borne by prospective tenants—and that it could be worth £850m on an investment basis upon completion.

Sandwell council and Color will be partners in the development which will be financed, he thinks, largely by American banking money during the course of development, and not funded on an investment basis until completion.

Color came to the UK about five years ago, he said, and has moved into development—mainly on an industrial basis so far—over the past two years. It could dip into the family purse for deals in the £20m to £25m area, said Mr Kolodotschko, but this deal clearly will take a lot of outside finance. UK institutions, he claimed, have been knocking on his door.

He had been working with Sandwell on this scheme for about 18 months he said—which helps, perhaps, to explain why Mr McCarthy of Forrec was in The Hague this spring, confident about selling his expertise to UK developers.

Color takes the view that, for West Edmonton or Sandwell, reservations about the local catchment area are irrelevant. It sees its development as a potential national tourist attraction with its 50:50 retail/leisure split outdoing West Edmonton in the leisure context; it sees its customers bussing, training, driving and planing in from Manchester and the north, and London and the south.

Venture capital for enterprise zones

VENTURE capital specialist Nickolas Medhurst, backed by international investment managers GT Management, has designed a vehicle for pension funds and other long-term property investors to take equity positions in speculative, enterprise zone developments.

GT, long established in its field, is going for a stock exchange listing in seven or eight weeks time, when speculation has it that the company will be capitalised at a minimum of £80m.

Nick Medhurst's venture is more modest, so far. Arrangements are in hand for a placing by James Capel of shares and convertible loan stock in Blackwell GT Property Enterprises to raise roughly £11m. However, that equity could be multiplied by 10, or even 20, in the value of the developments it helps to generate.

"We have identified a gap in the market for funding speculative real estate," says Mr Medhurst. "The gap is risk equity. It is relatively easy to raise non-recourse debt finance for well located speculative development up to a significant proportion of the total cost—you could be talking about 90 to 95 per cent in enterprise zones. But the other five or 10 per cent has to be hard cash."

He says there are not many people, and that includes respectable developers, with hard cash at the moment; and that, in addition, the financial complexities of enterprise zones are such that investors find them very hard to understand.

He lists two other, apparent disincentives where his vehicle is concerned. "There is likely to be no benefit to the equity enterprise zone investor in this case, because the tax breaks go to the lender, or long term investor," he notes; "and the equity investor, obviously, would be the first to be wiped out if things went wrong with the development."

Mr Medhurst, however, has long proclaimed his philosophy that high risk investment brings with it inordinately high returns, and that the job of venture capital management is to reduce and contain the risk while the high returns keep coming through.

He has seen, he says, instances where 5 per cent of the total investment in the form of equity has been paid back with 50, or even 75 per cent of the development profit. Blackwell is going into an Isle of Dogs project, he says, where the prospective returns on equity are significantly better than venture capital returns. There he would expect 30 per cent compound.

THE NETHERLANDS

Companies spring to life

DUTCH property companies and funds, sleeping giants of the real estate world, are springing to life. Rodamco pulled off its dawn raid on Haslemere Estates with surgical precision and now has control of some prime property in the City of London — just as rents are rising. The UK subsidiary of Bredero is offering half of its enlarged share capital to the public as part of a new London Stock Exchange listing (q.v.). Now Wereldhave, the Netherlands' largest property company, is taking over the rest of Binnenlandse Beleggingsfonds Vast Goed (BBVG), a small, Dutch property operation.

Dutch real estate companies, like their counterparts across the channel, are rousing themselves in an effort to expand their portfolios as the market, finally, begins to rebound after years of stagnation.

A gradual upturn in rents, fresh demand for commercial property and lower interest rates are sparking the activity. But the Dutch also are hedging their bets by buying other property funds — where the risk is believed to be lower — instead of property itself.

Wereldhave the Fl 1.2bn (£316m) group, is virtually certain to succeed with its friendly takeover of the Fl 103m BBVG through a public bid which ends on June 23. Wereldhave is paying around Fl 50m to assume full control, through a direct exchange of four of its shares for five BBVC participation rights.

With a portfolio which spans Europe and the US, Wereldhave has been looking to expand its portfolio for a couple of years and finally decided to buy at home. At first glance, BBVG looks less than attractive. The value of its holdings has shrunk to Fl 103m from Fl 110.5m in 1983 while net income has fallen to Fl 7.4m from Fl 8.6m.

But there is more to this than meets the eye. BBVG, which came under the partial control of Wereldhave in 1983, has attractive storefront holdings in Rotterdam and Utrecht, where yields are between 6½ per cent and 7 per cent, according to Healey & Baker, the real estate agents. BBVG's portfolio is split about one-third each between shops offices residential property. "We see good prospects in the property and a strengthening of our portfolio," says Mr Pieter Neervoort company secretary of Wereldhave.

Wereldhave, itself 38 per cent owned by the PGGM pension fund, concedes that much of BBVG's holdings need extensive renovation. But it believes that improvements will prove fruitful. Healey and Baker are predicting that store rents in good locations will rise 10 per cent this year as trendy shopping streets attract more "recreational" buyers.

Mr Neervoort agrees that shop rents, probably will increase more than office or residential rents and he notes that BBVG's holdings are generally in promising areas. Dutch office space, currently renting for between Fl 250 and Fl 275 per cubic metre, ranks among the cheapest commercial real estate in major European cities.

Wereldhave recently safeguarded itself from the clutches of PGGM, the pension fund for health and social workers and one of the largest pension funds in the Netherlands. In a bid to widen its real estate holdings in 1983, PGGM tried to make a complete takeover of Wereldhave; but the bid was vigorously contested. PGGM recently agreed formally to keep its shareholding to a minority and to give up trying to complete the acquisition.

BBVG will add only a fraction to Wereldhave's portfolio, especially after big improvements, but the acquisition enlarges the opportunity to benefit from the gradual recovery in the property market.

Among the dour Dutch, real estate people are among the dourest but even they admit under pressure that things are beginning to brighten.

LAURA RAUN

International Property

Company Notices

NOTICE OF REDEMPTION

The New Brunswick Electric Power Commission

US$75,000,000

9¾% Bonds, Series 44-B, due March 1st, 1994

NOTICE IS HEREBY GIVEN THAT New Brunswick Electric Power Commission will redeem on August 1st, 1986 the US$52,900,000 bonds outstanding for the 9¾% Series 44-B Bonds due 1994 at a price of 101½% of the principal amount together with interest on such principal amount accrued and unpaid to the said date of redemption.

The redemption price on the said Bonds shall be payable on presentation and surrender thereof with all unmatured coupons at any one of the following Paying Agencies:—

Bank of Montreal
9 Queen Victoria Street
London EC4N 4XN, England

Bank of Montreal Trust Company
2 Wall Street, New York, N.Y. 10005, U.S.A.

Bank of Montreal
37-39 Ulmanstrasse, Postfach 17-4075
D-6000 Frankfurt am Main 17, West Germany

Banque Generale du Luxembourg
14 rue Aldringen, Luxembourg

Credit Suisse Bank
8, Paradeplatz, 8021 Zurich, Switzerland

Société Générale
3 Montagne du Parc, B-1000 Brussels, Belgium

BONDS SHOULD BE SURRENDERED with all coupons appertaining thereto maturing after the date fixed for redemption, failing which the face value of any missing unmatured coupon will be deducted from the sum due for payment.

Any amount so deducted will be paid against surrender of the missing coupon within a period of five years from August 1st, 1986. On or after the date fixed for redemption, interest on the Bonds will cease to accrue.

THE NEW BRUNSWICK ELECTRIC POWER COMMISSION

Dated: 13th June, 1986

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/02154/06

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER
PAYMENT OF COUPON No. 77

With reference to the declaration of dividend as advertised in the Press on 5 June 1986, the following information is published for the guidance of holders of stock warrants to bearer.

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' tax at 0.45 cents per unit of stock will be deducted from the dividend payable in respect of all stock warrant coupons leaving a net dividend of 2.55 cents per unit of stock.

The dividend on bearer stock will be paid on or after 15 August 1986 against surrender of coupon No. 77 detached from the stock warrants to bearer as under:

(a) At the office of the following continental paying agent:
Credit du Nord
6-8 Boulevard Haussmann
75009 Paris
In respect of coupons lodged at the office of the continental paying agent the dividend payment will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made must be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 8 August 1986 at the United Kingdom currency equivalent of the rand currency value of their dividend on 30 June 1986.
(ii) in respect of coupons lodged after 8 August 1986 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 2.13 cents per unit of stock in terms of sub-paragraph (b), above arrived at as follows:

	South African Currency Cents per Unit of Stock
Amount of dividend declared	3.00
Less: South African Non-Resident Shareholders' tax at 15%	0.45
	2.55
Less: U.K. Income tax at 14% of the gross amount of the dividend of 3 cents	0.42
	2.13

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct
London EC1P 1AJ

June 1986

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 14% instead of at the basic rate of 29% represents an allowance of credit at the rate of 15.%

aac

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/05309/06

NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER
PAYMENT OF COUPON No. 105

With reference to the notice of declaration of dividend advertised in the Press on 3 June 1986, the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 130 cents per share was declared in South African currency. South African non-resident shareholders' tax at 18.0492 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 111.9508 cents per share.

The dividend on bearer shares will be paid on or after 5 August 1986 against surrender of coupon No. 105 detached from share warrants to bearer as under:

(a) At the offices of the following continental paying agents:
Credit du Nord
6-8 Boulevard Haussmann
75009 Paris
Banque Bruxelles Lambert
24 Avenue Marnix
1050 Brussels
Generale de Banque
3 Montagne du Parc
1000 Brussels
Swiss Bank Corporation
1 Aeschenvorstadt
4002 Basle
Union Bank of Switzerland
Bahnhofstrasse 45
8021 Zurich
Banque Internationale a Luxembourg SA
2 Boulevard Royal
Luxembourg
Banque Generale du Luxembourg SA
14 rue Aldringen
116 Luxembourg

Payment in respect of coupons lodged at the office of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 29 July 1986 at the United Kingdom currency equivalent of the rand currency value of their dividend on 30 June 1986 or:
(ii) in respect of coupons lodged after 29 July 1986, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 92.30 cents per share in terms of sub paragraph (b) above arrived at as follows:

	South African Currency Cents per share
Amount of dividend declared	130.0000
Less: South African Non-Resident Shareholders' tax at 13.884%	18.0492
	111.9508
Less: U.K. Income tax at 15.116% of the gross amount of the dividend of 130 cents	19.6508
	92.3000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
J. C. Greensmith

London Office:
40 Holborn Viaduct
London EC1P 1AJ

12 June 1986

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15.116% instead of at the basic rate of 29% represents an allowance of credit at the rate of 13.884%.

aac

GENERALE
SOCIETE GENERALE DE BELGIQUE
GENERALE MAATSCHAPPIJ VAN BELGIË
Société Anonyme
Registered Office: Rue Royale, 30 - 1000 Brussels
Brussels Commercial Register 17487
V.A.T. No 403 203 264

Result of the Rights Issue of 2,181,037 Shares Sale of Preference Rights not taken up

Of the 2,181,037 shares offered to shareholders, 1,992,362, or 91.35% were taken up during the initial application period which closed on 5th June 1986.

The 50,000 shares reserved for members of the staff of the Company and the management of the subsidiaries were completely taken up.

The 1,886,750 preference rights on the old shares which were not utilized will be offered for sale on the Brussels and Antwerp Stock Exchanges on 16th June 1986 and on the Luxembourg Stock Exchange on 17th June 1986.

These rights will be represented by scrips which enable purchasers to subscribe for the 188,675 shares not previously taken up, at a price of BEF 2,600 per share, payable in full on application, on the basis of ONE new share for each TEN rights. The scrips must be presented together with the relative application forms by 26th June at the latest at the counters of any office of the following:

- **in Belgium**
  Générale de Banque
  Banque Belgo-Zaïroise (Belgolaise)
  Banque Bruxelles Lambert
  Kredietbank
  Banque Paribas Belgique
  Banque Degroof
  Banque Nagelmackers
- **in Luxembourg**
  Banque Générale du Luxembourg
- **in France**
  Générale de Banque Belge (France)
  Société Générale
- **in Great Britain**
  Banque Belge Limited
- **in Switzerland**
  Crédit Suisse
  Swiss Bank Corporation
  Union Bank of Switzerland

Applications may also be made to any of the above-mentioned banks through any other financial institution or intermediary.

The scrips will cease to be valid after 26th June 1986.

CMB

COMPAGNIE MARITIME BELGE N.V.

St.-Katelijnevest 61
2000 Antwerp

FINANCIAL YEAR 1985

CMB continued to make headway further to the recovery it had engaged into in 1984. The Company benefited from an improvement of the operation results of its maritime activities and from increased financial income especially dividends from subsidiaries. Important capital gains were made on the sale of shares and ships.

The Société Générale de Belgique group reinforced its share in CMB, the latter absorbing s.a. METHANIA and rearranging some of its investments.

The profit to be allocated for the financial year 1985, including the result carried forward from the previous accounting period (BF59 million), amounts to BF452,538,000 against BF418,080,000 for the preceding year after depreciation, write-offs, provisions for risks and charges and the transfer to reserves exempted from taxes amounting to BF2,503,909,000 against BF2,387,088,000.

The net dividend for the financial year was fixed at BF405 per old share and BF432 per tax-privileged share as against BF375 and BF400 for the preceding period.

ICI FINANCE (NETHERLANDS) NV

COPIES of the 1985 Annual Accounts of ICI Finance (Netherlands) NV can be obtained from:
ICI Holland BV
Postbus 551
300 AN Rotterdam
The Netherlands

Clubs

THE ARTS

Cinema/Nigel Andrews

A life support machine is a wonder

Police directed by Maurice Pialat
A Woman or Two directed by Daniel Vigne
Static directed by Mark Romanek
Compromising Positions directed by Frank Perry
Black Noon Rising directed by Harley Cokliss

Critics saddened by the ailing condition of modern French cinema sometimes think there is only one thing keeping the patient alive at all. That is a life-support machine invented in the early 1970s and called Gerard Depardieu.

Depardieu is a wonder. If this flaxen-haired, elemental actor had been born speaking English rather than French, he would now be dubbed a modern Brando. He moves like a panther, be smoulders like a storm, and when he erupts it can be for high tragedy or high comedy at will. He has the film actor's rarest and most precious gift, that of being able to "think aloud:" you perceive his thoughts as they flicker across his face. Depardieu has brought to good films a thrilling animal vivacity (*Danton*, *Loulou*, *Mon Oncle d'Amerique)* and he has brought to bad films a series of solo rescue attempts that gladden the heart even when they fail to perform the impossible.

This week from France we have one half-good film and one wholly bad one and Depardieu is in both. Maurice Pialat's *Police* begins with a superb throaty roar, like a Jean Gabin movie on anarchic overdrive. Revving his actors' engines by means of high-volt improvisation, the director of *Loulou* and *To Our Loves* presents a Paris police station where all the world's bullying inequities are concentrated in miniature. There are the interrogation victims, a young Arab drug trafficker (Jonathan Leina) and his sultry-beautiful French girlfriend (Sophie Marceau). There are the supporting cops, criminals and casualties crowding the background. And there is Inspector Mangin, played by Depardieu as a mixture of tease and tempest, now cajoling his suspects with suspect sweetness, now flying at them with fists or raging with gale-force obscenities.

Even when it steps outside for a breath of fresh iniquity, the movie's opening half keeps up the cynical momentum. The lawyer for the Arab and his drug-dealing Tunisian brothers is a lean, pert, wheeler-dealer who follows his nose for fat profits—"I'm not one of those lawyers who only defend clients they know are innocent," he cheerfully tells Mangin, "I know mine are all guilty."

And Depardieu roams the streets irresistibly, a droll and disillusioned wrecker for whom all is fair in crime and punishment, and for whom death-fights between Arabs are a welcome population control device in a crime-crowded city: "I don't mind if they kill each other off. It suits me fine."

Unfortunately at half-time the film starts to wilt in its own self-generated heat. Passion yields to sentimentality, cynicism to moralising: and worst of all a glib psychologising trend creeps in. Depardieu, falling in love with Marceau, explains that his brutal treatment of women (women? He seems heroically indiscriminate in his brutality), stems from lack of mother-love as a child; while Marceau attributes her pathological lying to lifelong parental neglect.

No doubt, if the film had had time, it would have explained that the Arab criminals had had their train sets confiscated as children. This spurious psychological special pleading has nothing to do with a thriller that begins, and should have continued, as a driving present-tense police yarn and an "adult" entertainment in the best sense.

Depardieu swaggers like a Colossus through Pialat's movie and he swaggers similarly through Daniel Vigne's *A Woman Or Two*. Unfortunately the Colossus is here at large in the land of the little people. A puny comic idea—a fund-seeking French palaeontologist (Depardieu) mistakes beautiful American perfume promoter (Sigourney Weaver) for the rich benefactress he is expecting off the plane from New York—binds Depardieu down in its teensy but tensile toils. He resembles Gulliver in Lilliput, and the occasional roar of animal improvisation cannot shake off the twee exigencies of the comedy-of-errors plot.

Vigne's film is not only feebly conceived and executed. It smacks of deja vu. The 1930s screwball comedy *Bringing Up Baby* also pitted an absent-minded palaeontologist (Cary Grant) against a whirlwind sub-millionairess (Katharine Hepburn) and staared them, like this movie towards romance. But director Howard Hawks, palaeontologist supreme, knew what to do with the audience's funny-bone: hit it hard and often. Vigne, whose last film was the promising if solemn medieval mystery *The Return Of Martin Guerre*, cannot even find the audience's funny-bone.

The plot wanders all over the wall-chart of comic possibilities without success: from slapstick to sex comedy to screwball dialogue. And in a cast for all seasons including Michel Aumont, the bravely French-speaking Miss Weaver and the omnilingual Ruth Westheimer (American TV's famous agony aunt and sex guru), only Depardieu, a Gro-Magnon man with 20th century man's wit and fire, suggests there might be life if not laughter inside these characters.

From prehistory to Armageddon is but a small step in a week's filmgoing. "You ask, how will the annihilation of the entire world affect me, the ordinary guy in the street," cries a sidewalk preacher in Static. Thunderous interrogatives tapering into beatific bathos set the tone for this likeable, low-cost impromptu co-written by and starring Keith Gordon. (He played the young eggbead sleuth in *Dressed to Kill* and the car-crazy, hero's best friend in *Christine*.)

Gordon and co-writer and director Mark Romanek unfold the tale of a small-town inventor (Gordon) who builds a TV set which can tune into Heaven. At least he says it can. While he purrs over it in wonder, everyone else sees only snowstorms of static. So our young hero hi-jacks a bus full of geriatrics on an outing and demands attention from the press and media.

Will he get it? Will his girlfriend (Amanda Plummer) coax him into surrender and a return to sanity? What *is* the secret, if there is one, of the Heaven-tuned telly?

Though sometimes painfully attenuated even at 88 minutes,

"Many different notions about the after-life"

Static has a rare commodity in commercial cinema today: some ideas. Among the propositions being lobbed towards you for discussion are: that there are as many different notions about the after-life as there are people living in this life; that "sanity" is often synonymous with the tendency not to ask or raise awkward questions; and that a gaucbely unassuming movie like this one, with a modest cast and all the production values of a cereal packet, can be more provocative than a month of empty-headed action yarns or superglossy comedies.

Talking of which, we have *Compromising Positions* and *Black Moon Rising*. The first is a sleekly underoourished comedy thriller revolving around Long Island housewife-supersleuth Susan Sarandon and her attempts to solve the mystery of her murdered dentist. (With a scalpel, in the neck, in the surgery, after hours).

Like many things that revolve, this one has a hole in the middle. Where there should be a credible central character and/or a fully developed plot premise, there are neither. Despite the odd tangy line or trying hard performance (Raul Julia's glowering Hispanic police inspector, Sarandon's bright-eyed amateur), neither the story nor its people suggest any plausible existence outside the movie and the result is an audience rapidly developing plot indifference. Whodunit? Whocares.

Black Moon Rising is worse. Across a cityscape of tomorrow Tommy Lee Jones battles multi-millionaire car thief Robert Vaughn. A futuristic racing car — a vital cassette tape — a hi-tech skyscraper—and a script of desperate rag-bag miscellanelty. Harley Cokliss directed. John Carpenter (of *Halloween* and *Starman)* unaccountably wrote.

A Chorus of Disapproval/Lyric

Michael Coveney

The transfer of Alan Ayckbourn's 1985 National Theatre hit to the West End is a welcome and probably brave attempt to stiffen Shaftesbury Avenue's fight back against the musicals. Suddenly, and all in a row, the Avenue plays host to *Orphans*, *Lend Me A Tenor*, *A Chorus of Disapproval* and *Interpreters*: a more than respectable haul.

Nothing at all is lost in the move from the Olivier acreage and the author's production has been superbly re-cast in the major roles. Colin Blakely is now Dafydd Ap Llewellyn, the manic Welsh director of the Pendon Amateur Light Operatic Society (PALOS) whose production of *The Beggar's Opera* is saved by the bereaved Yorkshire office worker, Guy Jones. Jones, whom Jim Norton plays as a blanker and actually funnier new arrival than did Bob Peck.

Like a Ken Dodd special, the show begins with the finale, the over-eager swirling John Gay chorus followed thumpingly by the cold-shouldering of Guy backstage. The pace is slow but careful. The atmosphere thaw's as that coda slides into Guy's audition for Dafydd. Blakely storming up the aisle to sing "All Through the Night" (in Welsh) and offer Guy the part of Grook-Fingered Jack. The Gay parallels shake through the fiendishly clever but linear plot: Guy comforts Dafydd's wife (Polly Hemingway is a mora staunch successor to Imelda Staunton) and is simultaneously landed by the husband-swapping man-eater Fay (Pippa Guard, again a worthy successor to Gemma Craven and sexy in her own right).

As he progresses through the roles of Matt of the Mint, Filch and finally Macheath (replacing the delightfully disaffected punk sybarite of James Gaddas) Guy is also involved in small town corruption over a plot of land. By the time he reaches the gallows there are moral as well as revenge motives to justify his execution. And, as in Gay, the happy ending convention prevails.

In a proscenium theatre, the music is more enjoyable and very well sung (this is the only time I have really enjoyed *The Beggars Opera)*. And the celebration of the world of amateur operatics gives a wonderful new dimension to Ayckbourn's habitual study of suburban emotional dismay and furtive scattered outbreaks of sunshine. In truth, I felt the play meandered somewhat at the National and it is still too long. But I cannot usefully propose any cuts.

Colin Blakely as the thespian solicitor ambles, groaning and short-tempered, around the auditorium like a frustrated baboon, charging full pelt at his hopeless colleagues ("At least you can sack professionals") and trapping his lead actor in a simian embrace. Banging his head on a piano, or flailing around the stage like Quasimodo on a weekend break, this is a brilliant and joyously energetic comic performance by one of our greatest actors.

Music of New Spain/Almeida Festival

Paul Driver

One of the numerous themes of this year's Almeida Festival is Spanish new music. Three examples of it were programmed in a concert by the ensemble Capricorn (ably conducted by Grant Llewellyn) at the Almeida Theatre on Wednesday night. Alongside these pieces were three by young British composers, of which one at least had a Spanish affiliation.

Simon Holt's *Era Madrugada* (1984) for seven players had a far more recognisably "Spanish" flavour than any of the Spanish items. It is a vivid, gripping, tactile re-creation, in primary colours of sound, of a poem by Lorca in which a man is discovered, "between the night and the morning", inexplicably with a knife through his chest.

Holt's meticulous score is full of biting attacks and lyric urgencies, and has about it something of the brightness of the bullring. After an explosive piano cadenza it ends with a startlingly effective jaunty little coda. The great performance—extremely convincing — which we heard was not the work's first, as the programme indicated, but at least its third: the piece is establishing itself.

Another British piece, Rupert Bawden's seven-minute *Roil-ings* (1980) for flute and piano, conveyed through the sheer intensity of its note-working (thrillingly realised by Anna Noakes and Michael Dussek) what struck me, fancifully perhaps, as a quality of *duende*. James Dillon's beautifully-textured *Zone* (. . . *de Azul)* was like a carefully controlled improvisation.

The Spanish items were peculiarly hard-hitting and more concerned with abstraction than atmosphere. David del Puerto's *Veladura*, apparently composed (last year) during a seminar, showed an unacademic exuberance in its deployment of piano, clarinet and vibraphone. The musical patterns

Felix Ibarrondo's *Flamina* (1980) resembled a gymnastic contest between piano and flute and vibraphone and drums: very straightforward, very loud.

The same evening at the Wigmore Hall, the Nash Ensemble's concert of 20th century American chamber music (very attractive programme, disappointingly small audience) was lent a Spanish tinge by the new work of the occasion, Simon Holt's *Canciònes*.

Three harshly vivid Spanish poems, one by Lorca, two "anon.," supply a further opportunity for this most remarkable and distinctively gifted of the young English composers to explore realms of sun-bleached Mediterranean musical colour.

As in *Era madrugada*, the instrumental writing boasts pinpoint niceties of contrast and earthy yet carefully controlled resources of texture that point to a direct interest in the mature music of Falla (always a good influence). On a single hearing, it seemed to me that the vocal writing, though full of boldly imagined gestures (including, at the start of the Lorca setting, a wonderfully striking phrase rising up over more than two octaves), was rather less certain of purpose and direction.

Perhaps a singer of greater tonal richness than the brave Linda Hirst might counter such an impression. In any case, I revelled in the delicacy and imaginative freedom of Holt's inventions, and long to hear the whole piece again.

Max Loppert

Don Giovanni, Aida/Opera Colorado, Denver

Timothy Pfaff

Like many another small opera company, Opera Colorado, which presented its fourth season in May, has chosen to limit itself to works from the central repertory. But the company does something distinctive with the works by staging its productions in the round, at Denver's Boettcher Hall.

That arrangement is not without its musical disadvantages. There are, inevitably, some lapses in co-ordination between pit and stage, and some periodic echo effects on stage. But in actual performance, the ears adjust quickly, and the gains, in terms of theatrical intimacy and a more natural kind of stage movement, are readily appreciated.

A related aspect of productions in the round is that, for clear visibility, sets must be minimal—a constraint not altogether unhappy in an era of production excesses. Robert O'Hearn, the stage designer, a long standing collaborator of Nathaniel Merrill, the director, made the most of the limitation, devising spare—but theatrically highly effective—physical production for the two offerings this year, *Don Giovanni* and *Aida*.

Sets were all but implied, with costumes and just a few properties richly evoking the respective periods. Spared "big house" treatment, both works emerged appreciably more fleet and dramatically pointed than usual.

Able casts, generally young and mostly American, added to the allure. James Morris's now-complete mastery of the title role automatically made the *Don Giovanni* a production of moment. It was refreshing to hear the part sung by a young man (such as Mozart probably had in mind), restoring some of the comic aspects to the character's putative villainy. Mr Morris created the role with a rare blend of ease and power.

The contributions of the rest of the cast were not at this level, but the exemplary work of Susan Quittmeyer and Jacob Will, as Zerlina and Masetto, warrant mention. Julius Rudel did not chart new territory in the score, but his sure, light handed, intrinsically comic reading was welcome.

Aprile Millo had a triumph with Verdi roles recently in New York. Attention was keenly focused on her *Aida* — appropriately, as it turned out, since there was little other singing interest in the production, and no reason.

This accomplished young soprano gave further notice of the arrival of a Verdi singer of the first order. Her lustrous, admirably controlled voice and sure sense of word and phrase kept her audience enthralled. When her *pianissimi* become more secure, and she corrects a tendency to approach the pitch centre from below, she may assume e place among the best interpreters of Verdi. The conductor, Argeo Quadri, also proved himself a masterful Verdian.

Full houses augur well for Opera Colorado's survival. If the company continues to mount such fresh, imaginative productions, it may become one of America's important smaller companies.

Solti and Perahia/Barbican Hall

Dominic Gill

Most conductors have begun their musical career playing some instrument or other, if only in the back desks of the orchestral violas; but Georg Solti has a more distinguished performing background than most. Before turning decisively to conducting after the war, he had been one of the promising young pianists of his generation, studying piano and composition with Bartok and Dohnanyi in Budapest, and winning first prize in the International Piano Competition in Geneva in 1942.

It was a splendid idea of the English Chamber Orchestra's to invite Solti as both soloist and conductor to their Gala concert on Wednesday evening with Murray Perahia. It was a simple all-Mozart scheme: three concertos, the first played by Solti and conducted by Perahia; the second vice versa; the third, the marvellous two-piano concerto K365, given by Solti and Perahia together.

It would be foolish to pretend that 40 years absence from the professional keyboard does not show: but Sir Georg's fingers are still remarkably fluent, and the poise and grip are faultless. His account of K466 in D minor was by any standards commanding; clear and cleanly shaped in the outer movements, delicately exploratory (if a little flat of timbre) in the Romanze. If Perahia had not sat down directly afterwards to play K595 in B flat, the contrast of sonority would have been less vivid: as it was, Perahia took us into another world, gentle, luminous, every line and chord exquisitely weighted. It was a difference which in no way devalued Solti's performance, but which was fundamental none the less.

Their account together of the two-piano concerto was unexpectedly fine—the very unanimity of gesture was invigorating, and in the first movement the two distinct expressive manners were wholly complementary, never at odds. Tha larghetto especially, delivered with marvellous ease and elegance, was pure delight.

Pelléas et Melisande/La Scala, Milan

William Weaver

The current production of *Pelléas et Mélisande* at La Scala, Milan, is being considered by its audiences a kind of farewell to Claudio Abbado. So every time he comes into the pit to conduct Debussy's opera he is greeted by cries of "bravo" and a warm ovation, repeated even more fervidly at the end of the performance.

For these are his last appearances as musical director of the Scala orchestra, and though he will surely return to the house as a guest after Riccardo Muti has taken over in the autumn, the unpredictable Milan audience has chosen this occasion to express its affection.

As a matter of fact, Abbado in the past was not spared criticism from the Scala public, but this time they are right to hail him. His *Pelléas* is a great achievement: an unerring, fresh, virile reading of the score (using e new critical edition by David Grayson), with the Scala orchestra at its most pliant and seductive. The great moments—like the ecstatic explosion as Pelléas and Golaud emerge into the sunlight in Act Three—are magically rendered, but then the whole execution is coherent, fluent.

Unfortunately some of Abbado's achievement — and Debussy's — is marred by the staging of Antoine Vitez. A few years ago Vitez made his operatic début, at the Maggio musicale in Florence, with a *Nozze di Figaro* whose results should not have encouraged him to pursue this second career. But pursue it he has, though this *Pelléas* would not indicate that he has learned much.

True, he and his designer Yannis Kokkos have created some suitably spare, gloomy interiors, but most of the scenes are perversely wrong. Thus in the Act Three sequence mentioned above, the half-brothers never descend underground; they simply gaze below from a kind of balcony; the curtain then closes, reopens, and they are seen standing on a kind of hillock. The gradual movement from darkness to bright daylight, impellingly and clearly expressed in the music, is ignored. The death of Mélisande, with a seascape in the background and the dying girl propped on a kind of sliding board, is almost ridiculous.

If the visual aspect of the evening is often deplorable, the musical side is an almost constant pleasure. Federica Van Stade's Mélisande is young and vulnerable, but never simpering or silly. Vocally she is completely at home in her part, singing the notes fully and freely. Kurt Ollmann was her Pelléas on opening night. Now the part is interpreted by Francois Le Roux, an engaging artist, who only occasionally sinks to the tiresome Debussy parlando; his voice, at the fourth performance, sounded a bit weary in his final scene.

The lovers had the merit, too, of singing in intelligible French. As Arkel, Nicolai Ghiaurov was less idiomatic, but still full of authority (the old king's blindness seems to be dismissed by Vitez, and Ghiaurov even stole a few glances at the conductor in his first scene). The Golaud, John Brocheler, is vigorous, impetuous, in full agreement with Abbado's virile interpretation of the score. Glenys Linos is a stately Geneviève (dressed as if about to be presented at court; she needs only the three white feathers). Patrizia Pace, a sweet, high soprano, actually makes the odious little Yniold touching and convincing.

This new *Pelléas* production is part of a big Debussy celebration sponsored by La Scala, which has also scheduled chamber concerts, recitals, symphonic programmes with music of Debussy or his contemporaries. Later this month there will be productions of *Le Martyre de Saint Sebastien*; and the surviving fragments of the proposed opera, *The Fall of the House of Usher*, will be incorporated in a text devised and staged by the avant-garde producer Pier'Alli.

Saleroom/Susan Moore

Noted in two halves

Sotheby's sale of the late Marcel Lorber's collection of netsuke and other Japanese works made £127,178 yesterday. American dealers were out in force and paid keen prices for the perfect netsukes; the high proportion of damaged and well-worn pieces in the collection accounted for the high proportion unsold (22.5 per cent).

The one exception, ironically, was the top lot, a powerful but damaged group, Ashinaga seated on Tenaga's back and reaching down with a double-length arm to pick up a fish. American dealer S. Ashkenazi bought it for £5,280 against an estimate of £1,500-£1,800.

A Shibayama ivory fan of the Meiji period also exceeded expectations by selling to another American dealer for £4,400. Seibu, the Japanese department store paid £3,080 for a large, early figure of Shoki, of the 18th century. It was announced before the sale that the proceeds would go to Jewish charities, the main beneficiary is the Israel Museum.

At Sotheby's general Japanese sale, a delightful 18th-century wood study of an octopus, enveloped by its overlapping tentacles, doubled its estimate. It sold for £11,550. Another fine study in ivory rat with a bear, by Kaigyokusai Masatsugu, made £6,380. Eskenazi paid well over the estimates for a wood shushi and cub (£7,260) and a rare buffalo horn seal netsuke of 1790 (£7,040).

Half a violin is presumably no better than none. Two halves are. A violin by the leading French maker Jean Baptiste Vuillaume, dating to around 1855, was sold in two halves to Ealing Strings for £13,000 (estimate £8,000-£10,000).

Diamonds dazzled at Christie's jewellery sale on Wednesday. Holborn Diamonds paid the top price: £95,040 for a delicate tiara set in a series of latticed bands with star panels (estimate £80,000). A similarly estimated diamond collar sold for £88,560. Diamonds with rubies, in the form of an openwork necklace, realised £38,880. The sale totalled £973,985.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
13	14	15	16	17	18	19

Theatre

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

Orphans (Apollo): Last chance to catch explosive collision of acting styles between Albert Finney and two of Chicago's Steppenwolf artists in implausible, guilty drama. (437 2663). Until end of June.

Anthony and Cleopatra, The Taming of the Shrew (Haymarket): Vanessa Redgrave as Cleopatra and Katherine leads brave West End presentation and astonishes still with her elemental talent, especially as Cleo. (930 9832 (CC) 240 7200).

La Cage Aux Folles (Palladium): George Hearn o welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is o crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592).

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an incompetent revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NETHERLANDS

Amsterdam, Bellevue. Théâtre Sapajou of Paris with Vermeer et Spinoza by Gilles Aillaud. (24 72 48).

Amsterdam, Suikerhof Theatre (Prinsengracht 381). The Hall Family presents Old Time Music Hall, with songs to make you sing and jokes to make you weep (22 75 71).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by o large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Loot (Music Box): John Tillinger directs this high-spirited revival of Joe Orton's 1966 macabre farce featuring Zoe Wanamaker as the homicidal nurse who romances a widower while burying his wife and conniving with their thieving son to hide the body. (239 6200).

WASHINGTON

The Caine Mutiny Court Martial (Eisenhower): Charlton Heston and Ben Cross star in the military courtroom drama written by Herman Wouk. Ends July 6. Kennedy Center (254 3670).

CHICAGO

Orchards (Goodman): Seven American playwrights, including Michael Weller and John Guare, interpret Chekhov short stories for an inspired evening of performances by the Acting Company which made the commissions. Ends June 29. (443 3800)

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Kabuki: Matinee and evening performances include in their miscellany this month famous comedy piece Boshibari and Renjishi, spectacular Lion dance (matinee). The Susbiya, an act from the masterpiece Yoshitsune Sembonzakura, is the most interesting of the evening programmes. Excellent English notes and earphone commentary. Kabuki-za, Higashi Ginza (541 3131).

Music

LONDON

Ivo Pogorelich, piano: Beethoven, Bach and Chopin. Barbican Hall (Mon). (638 8891).

Royal Philharmonic Orchestra, conducted by Antal Dorati, with Isaac Stern, violin. Haydn, Bruch and Franck. Royal Festival Hall (Mon). (928 3191).

Medici String Quartet with Christine Cairns, soprano. Britten, Milhaud, Chausson and Franck. Queen Elizabeth Hall (Mon). (928 3191).

Ray Charles in concert. Royal Festival Hall (Tue 6.30pm and 9pm).

The King's Singers: Queen Elizabeth Hall (Tue).

Marian Montgomery, with Laurie Holloway and quartet. Queen Elizabeth Hall (Wed).

Royal Philharmonic Orchestra, conducted by Andre Previn, with Andre Watts, piano; Eva Lind, soprano; Christine Cairns, soprano. Berlioz, Liszt and Mendelssohn. Royal Festival Hall (Wed).

English Chamber Orchestra, directed by Vladimir Ashkenazy, piano. Mozart. Barbican Hall (Wed).

Joe Pass in concert Queen Elizabeth Hall (Thur).

London Symphony Orchestra conducted by Rafael Frühbeck de Burgos with Nathan Milstein, violin. Brahms, Stravinsky and Weinberger. Barbican Hall (Thur).

Ronnie Scott's, Frith Street (439 0747). Betty Carter and trio.

PARIS

Orchestre National de France conducted by Andrew Litton, Michel Raznie, flute: Weber, Mozart, Gluck (Mon 8.30pm). TMP-Châtelet (4233 0000).

Ensemble Intercontemporain, conducted by Denis Cohen, Laurent Alinard, piano: Barriere, Cohen, Stroppa (Mon, Thur). IRCAM, 31, Rue Saint-Merri, Espace de Projection (4278 7993).

Vivaldi concertos for mandolina, Piccolos and Viole d'Amour (Tue). Saint-Severin Church (4633 8761).

Gundula Janowitz, soprano, Peter Wolters, piano (Thur). TMP-Châtelet (4233 0000).

English Chamber Orchestra directed by Vladimir Ashkenazy, piano. Mozart (Thur). Théâtre des Champs Elysées (4723 4777).

Nouvel Orchestre Philharmonique, conducted by Maximiano Valdes, with Margaret Price, Hanna Schwarz, Radio France Choir Cites - Adrienne Lecouvreur (Thur). Salle Pleyel (4561 0630).

WEST GERMANY

Frankfurt, Alte Oper: The Israel Philharmonic Orchestra, conducted by Giuseppe Sinopoli. Tchaikovsky and Brahms (Mon); Pinchas Zukerman, violin and Marc Neikrug, piano. Beethoven (Thur).

ITALY

Florence: Teatro della Pergola: Pinchas Zukerman, violin; accompanied by Marc Neikrug. Beethoven (Mon and Wed). (24 23 61).

NETHERLANDS

Netherlands Bach Society choir, baroque orchestra and solists conducted by Ton Koopman with Magnificats by Buxtehude, Kuhnau and Bach. Tue in Gouda, Grote Kerk, Wed in Naarden, Grote Kerk, Thur in Utrecht, Geertekerk (030-51 51 81).

Amsterdam, Concertgebouw. Piano recital by Sviatoslav Richter (Tue).
• Recital Hall: The Pascal Bogé wind ensemble. Roussel, Poulenc, Satie, Ibert, Debussy (Wed). The Schönberg Ensemble led by Reinbert de Leeuw. Ravel, Boulez, Jolivet, Barraqué (Thur). (71 83 45).

Rotterdam, Doelen. James Conlon conducting the Rotterdam Philharmonic, with Malcolm Frager, piano. Beethoven (Thur). Recital Hall: Ronald Brautigam, piano. Haydn, Rachmaninov, Beethoven (Thur). (14 29 11).

Utrecht, Vredenburg. The Netherlands Philharmonic conducted by Anton Kersjes, with the winner of the 1986 Liszt piano concours. Wagenaar, Liszt, Beethoven (Mon). Recital Hall: Ed Spanjaard conducting the New Ensemble, with Georg Mönch, violin. Donatoni (Mon). (31 45 44).

Amsterdam, Paradiso. Modern Italian works performed by the Netherlands Wind Ensemble and the Hague Percussion Group conducted by Arturo Tamayo. Petrassi, Gentilucci, Renosto, Sciabi (Mon). (23 73 48).

SPAIN

Granada International Festival: Czech Philharmonic Orchestra conducted by Vaclav Neumann. Mozart and Mahler. Auditorio Manuel de Falla (Mon). (22 52 01).

VIENNA

Montserrat Caballe, Lieder: Miguel Zanetti, piano. Händel, Vivaldi, R. Strauss. Mozart Saal, Konzerthaus (Mon).

Vienna Symphony Orchestra conducted by Christoph von Dohnanyi with Aurele Nicolet, flute, Ursula Holliger, harp. Haydn, Mozart, Schubert. Konzerthaus (Thur).

NEW YORK

Merkin Hall (Goodman House): Sharon Mabry mezzosoprano recital. Lili Boulanger, Copland, Kenton Coe, Ives; Myung Jean Keb piano recital. Beethoven, Scriabin, Chopin, Liszt (Tue); Karen Hutchinson piano recital. Mendelssohn, Franck, Chopin, Donald Keats (Thur). 67th w. of Broadway (362 8719).

Bargemusic (Fulton Ferry Landing): Chamber music concert with Fred Sherry, cello; Toby Hoffman, viola; Cho-Liang Lin, violin; Stephanie Brown, piano. Mozart, Martinu, Brahms. Brooklyn (624 4061).

TOKYO

Alicia de Larrocha (piano): Turina, Granados, Chopin. Tokyo Bunka Kaikan (Mon). (345 8348; 545 9348).

Francisco Araiza (tenor) accompanied by Irwin Gage. Mozart, Rossini, Verdi, Puccini, Gounod. Hitomi Memorial Hall, Showa Women's College, Sangenjaya (Tue); Schubert's Die Schöne Mullerin. Tokyo Bunka Kaikan (Thur). (545 8348; 545 9348).

Takahiro Sonoda (piano) Lizst. Tokyo Bunka Recital Hall (Wed). (461 2590).

NHK Symphony Orchestra, conducted by Hiroshi Wakasugi. Concert version of Debussy's Pelleas et Melisande. NHK Hall (Thur). (465 1780).

Shinsei Nihon Symphony Orchestra, conducted by Makoto Kokubu; soloist: Shigenori Kudo (flute). Mozart. Tokyo Bunka Kaikan (Wed). (985 4836).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Eugene Onegin reverts to English for its latest revival, and a strong cast led by Ileana Cotrubas and Thomas Allen promises to grow in dramatic effectiveness as Colin Davis tightens his grip upon the score. The new production of A Midsummer Night's Dream comes at a few years remove from the Aldeburgh Festival. (240 1066).

English National Opera, Coliseum: Die Fledermaus finally returns to its roost while Mary Stuart proceeds upon its accident-prone way, without Rosalind Plowright. The week is completed by two of ENO's most considerable achievements of recent years, the mysteriously compelling Mask of Orpheus and David Pountney's miraculous staging of Rusalka (836 3161).

PARIS

Wuppertal Tanztheater: Two works by Pina Bausch with her violence in deciphering human nature and tenderness in understanding it. Théâtre de la Ville (4274 2277).

Salammbo in Zoltan Peskó's orchestration and conducted by him in Naples' Teatro San Carlo production created by David Borovsky who chose to leave the opera unfinished. His decor of abstract mobile panels bathe the scene in an atmosphere of the unreal. Paris Opéra (4266 5022).

Die Zauberflöte in Marcel Bluwal's production tries to show the shaft of optimism shining through the complexity and contradictions of Mozart's work which combines philosophical depth with the Burlesque at the Opéra Comique (4296 0611).

WEST GERMANY

Berlin, Deutsche Oper: Fidelio, a Jean Pierre-Ponnelle production, has Lisbeth Balsley and René Kollo, La Gioconda with Maria Slatinaru, Livia Budai and Giorgio Lamberti. Madame Butterfly has fine interpretations by Yoko Nomura, Helga Wisniewska and Cornelia Murgu. Also Zar and Zimmermann and Die Zauberflöte (3 43 81).

Hamburg, Staatsoper: This week's highlight is Otello starring Maria Chiara and Wladimir Atlantow, conducted by Giuseppe Patane. La Clemenza di Tito, sung in Italian, has Doris Soffel, Gabriele Fontana and Hermann Winkler. Die Meistersinger von Nürnberg features Beatrice Niehoff, Hans Sotin, Kurt Moll and René Kollo (35 11 51).

BRUSSELS

Cirque Royale: National Opera presents Boris Goudonov conducted by Michael Schönwandt (218 12 02).

ITALY

Milan, Teatro alla Scala: Homage to Debussy: Pelleas et Mélisande conducted by Claudio Abbado and directed by Antoine Vitez, with abstract sets by Yannis Kokkos. Excellent cast includes Federica von Stade as Mélisande, Kurt Ollmann (Pelleas), John Broecheler (Golaud), Nicolai Ghiaurov (Arkel) and Patricia Pace (Yniold). Also Eugene Onegin conducted by Seiji Ozawa and directed by Andre J. Konchalovsky with Mirella Freni, Elena Zilio, Benjamin Luxon (alternating with Angelo Romero), Neil Shicoff and Nicolai Ghiaurov. (80 91 26).

Florence, (Maggio Musicale Fiorentino): Teatro Comunale: Tosca conducted by Zubin Mehta and directed by Jonathan Miller with scenery and costumes by Stefanos Lazaridis. Evo Marton (alternating with Sofia Larson), Giuseppe Giacomini, Silvano Carroli and Italo Tajo. (277 9236). tumes by Pasquale Grossi, with Raina Kabaivanska (548 000).

NETHERLANDS

Amsterdam, Carre. Wagner's Die Meistersinger from the Netherlands Opera and the English National Opera directed by Elijah Moshinsky and designed by Timothy O'Brien, with the Concertgebouw Orchestra conducted by Edo de Waart. Soloists William Johns, Kathryn Bouleyn, Jard van Nes, Norman Bailey (Tue). (225 225).

SPAIN

Barcelona, La Traviata rounds off spring opera season with Dennis O'Neill as Alfredo and Edita Gruberova as Violetta. Gran Teatre del Liceu, Sant Pau 1. (318 9277).

VIENNA

Staatsoper: Die Zauberflöte conducted by Von Dohnanyi; La Bohème conducted by Mund with Tokody, Daniels, Aragall; Carmen conducted by Weikert with Baltsa, Borovska, Carreras, Diaz, Gyldenfeldt (53 24/26 55).

Volksoper: Die Fledermaus; Das Land des Lächelns; Hello Dolly; Madame Pompadour (53 24/26 57).

NEW YORK

New York City Ballet (New York State). Lincoln Center. (870 5570).

American Ballet Theatre (Opera House): Mikhail Baryshnikov brings his company to its two-month spring season with four new works choreographed by Kenneth MacMillan, John Taras, David Gordon and Karole Armitage, which join the repertory that includes The Nutcracker, Don Quixote, Giselle and La Bayadere. Ends July 5. (362 6000).

TOKYO

Alvin Ailey American Dance Theatre: Blue Suite, Cry For Bird with Love, Revelations (Wed); Night Creature, Treading Suite, Otis, Revelations (Thurs, matinee); Divining, Love Song, Speed, The Stack-Up (Thur, evening). Nakano Sun Plaza (237 9999; 980 6586).

Exhibitions

LONDON

The Royal Academy: The 218th Summer Exhibition – the art exhibition for too long held to be of more social than aesthetic importance has, over the last 20 years, returned to its rightful place at the centre of the British art world, neither ovowedly avant garde nor at all academic, in any perjorative sense, but simply seriously professional. Newer members include David Hockney, R. B. Kitaj, Eduardo Paolozzi and John Hoyland, all exhibiting this year. With the open submission, the exhibition adds up to nearly 1,600 works of all kinds.

PARIS

From Rembrandt to Vermeer: 60 chefs d'œuvres on loan from the Mauritshuis trace o panorama of 17th-century Dutch painting with Vermeer's View of Delft with genre paintings, still lives and landscapes. Grand Palais. Ends June 30. (4261 5410).

Marie Laurencin: After o short flirtatioo with Cubism, Marie Laurencin, Apollinaire's love and Cocteau's friend, create an enchanted world of adolescent girls. The unchanging pale, oval shaped faces with expressionless eyes, the ethereal bodies amid flowers and flotating pink and blue gauzes could easily become too sugary but for the aura of Sapphic mystery. Gallery Malingue, 26 Ave Matignon (4266 6033). Ends June 21.

French Masters of the 19th and 20th century: The catalogue of the yearly Robert Schmit exhibition reads like a Who's Who in painting. There are five Boudins, the gallery's speciality. Caillebotte, Cézanne, Van Dongen, Fantin-Latour, Odilon Redon and even Soutine grace the walls with bouquets of flowers while Chagall has a flowering tree in his red-toned sunset. Degas has a study of two dancers and o fiery coloured oil of a oude combing her hair. There is o large compositioo by Derain from the late 1930s, the Painter And His Family grouping in o surprisingly realistic rendering – his wife with a book, his niece, his sister-in-law, family cat and himself in the centre before an easel with a brush in his hand.

The strong point of the exhibitioo is a Picasso painted io 1900, a scene of typical Spanish figures in expressive attitudes and striking colours in front of s wine shop. As o counterpoint there is a stylised Woman in a Rocking Chair dated 1956 with the same strong orange, black and blue summing up Picasso's artistic development. Galerie Schmit, 396 Rue Saint Honoré (4260 3636), closed Sun and lunchtime. Ends July 19.

WEST GERMANY

Bayreuth, Iwalewa-Haus, Münzgasse 9: Art and Culture from the Congo and Zaire. About 300 paintings, cult and practical objects from the Colonial period to today. Ends June 29.

Hamburg, Kunsthalle, Glockengießerwall I: Renaissance of the North. 110 German and Dutch paintings on loan from the Paris Ecole des Beaux-Arts. Among the artists are von Bouts, Dürer and Goltzius. Ends June 29.

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion; 60 buge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

BRUSSELS

Musée Royale d'Art et Histoire: Taiwan-based painter Wong Liu-Sang. 40 paintings, of which 10 are by his pupil Chen Sian-Nan form this painter's first European exhibition. The artist will demonstrate traditional Chinese painting on June 18. Ends June 29.

Magie de Verre: Belgian stained-glass windows through the ages. CGER. Ends July 13.

Cartoons on the theme of the theatre, circus, opera and cabaret. Maison de la Bellone. Ends June 28.

ITALY

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

Florence, Palazzo Medici-Riccardi: Picasso Engravings (1904-71). Examples of the techniques with which Picasso experimented – etching, aquatint, linocut and engravings and often mixtures of several. One oil is included: the infinitely sad and gentle Harlequin, painted in 1917, the year to which Picasso started designing sets for Diaghilev's Russian Ballet company, and the year of his first visit to Florence. The model is the dancer, Leonide Massine. The first etching is the chilling Frugal Meal done the year that Picasso settled in Paris (1904). The Dove lithograph (1949), adopted as the symbol of the world peace congress, several irreverent reinterpretations of Cranach and Rembrandt, portraits of Jaqueline, Françoise and Paloma and various mythological subjects are included. Ends June 22.

Florence: Palazzo Pitti (Sala Bianca): Mary Magdalene: Saint and Sinner: An inspired exhibition based on the contrasting aspects of the character of Mary (who symbolises both sin and redemption) as seen by artists as diverse as Titian (the glorious Mary Magdalene of Noli Mi Tangere) to Guttuso and de Chirico, via the gloomy and often despairing figure of many of the 19th century paintings. Ends Sept 7.

Rome: Villa Farnesina (National Print Gallery) Via Della Lungara 230: Baroque Decorative Drawings: The National Print Gallery is rightly proud of its collection of over 150 drawings. The exhibition includes designs of extraordinary exuberance and delicacy: decorations for the posterious and door-panels of coaches, table centres, picture frames, and the draped scallop-shell coach-bed pulled by mermaids and sea-horses, designed by Bartoli, for the birth of the first child of Princess Maria Colonna in 1663.

NETHERLANDS

Amsterdam Historical Museum. Cor Jaring's photographs of Amsterdam in the restless 1960s, from Provos to dockworkers, happenings to street markets, and an eventful royal wedding. Ends June 22.

Utrecht, Catharijneconvent. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century 'Irish Odysseus', are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends August 10.

SPAIN

Madrid, Claude Monet (1840-1926): The greatest living French artist, as he was called, was an innovator who revolutionised the course of modern painting by playing a leading part in the creation of a new artistic movement: impressionism. 125 paintings on loan from private collectors and museums from all over the world will offer a good overview of his different artistic periods with a prominent representation of his most famous period at his home ot Giverny. Meac – Museo Espanol de Arte Contemporaneo, Avenida Juan de Herrera 2. (440 71 50). April 29 – end June.

Barcelona. Max Ernst retrospective includes 125 works of the dadaist and surrealist painter. Fundacion Joan Miro, Parc Montjuic. Ends June 29.

Madrid, Post Minimal gathers works of North American sculptors on loan by Whitney Museum in New York, complementing the recent exhibition of British sculptors last February in the same premises. Palacio de Velázquez, Retiro Park. Ends July 20.

NEW YORK

Japan House: Burghley House, with the earliest known record of Japanese porcelain in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through 1988 with 205 Japanese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27.

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

Metropolitan Museum: Two centuries of Renaissance masterpieces from Nuremberg include 270 works in painting, sculpture, tapestries and illuminated manuscripts by Albrecht Dürer, Hans Baldung Grien, Veit Stoss and Adam Kraft. Ends June 22.

Picasso Sketchbooks (Pace Gallery): Opening o 14-city international tour, the 200 drawings, water colours and notes from 45 of Picasso's 175 cahiers give insights into the artist's methods and preliminary work on such famous paintings as Les Demoiselles d'Avignon, Rape of the Sabines and Mother and Child. Ends Aug 1. 57th E of Madison.

Whitney Museum: The largest exhibit ever mounted of Shaker design shows off the strong, simple lines in the furniture, tools, textiles and graphic design of one of the great American Puritan cultures that remained separatist and intact for more than a century. Ends August 31.

WASHINGTON

Hirshhorn Museum: 75 works of the California sculptor Robert Arneson presents the glazed ceramics he pioneered in what became the Funk movement in the 1960s with its irreverent view of other artists, contemporary artefacts and art itself. Ends July 8.

National Museum of American Art: 68 Pueblo Indian water colours from between the world wars recreate the ritual animal dances among other disappearing tribal customs. Ends August 17.

CHICAGO

Art Institute: Famous as a fashion photographer, Richard Avedon undertook a five-year project to capture the American West in the tradition of nineteenth-century photographers such as William Henry Jackson. The results are "a fictional West", Avedon claims, with outsized portraits of Americans ranging from a rattlesnake roundup to county fairs. Ends August 3.

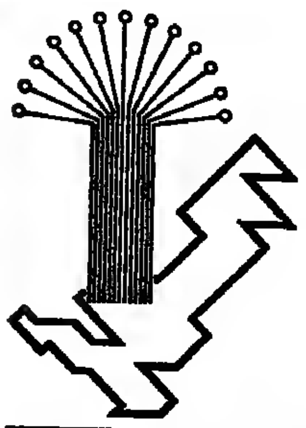
TOKYO

Tang Three Colour Glazes: Ceramic vessels and figurines excavated from burial mounds of the Tumulus period in their characteristic brown, green and blue glazes: Idemitsu Art Gallery, 9th floor of the Kokusai Building, above Imperial Theatre. Ends July 6.

Civilisation along China's Yellow River: 136 exhibits of large bronzes and ceramics from 2000 BC, subject of recent excavations, portray something of the wealth of civilisation along this important river (known as China's Sorrow from the havoc it wreaks through its frequently changing course). Particularly interesting are the miniature ceramic models of people and aspects of peasant life, providing the human element normally missing from exhibition of museum objects. Good English labelling.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



British technology

Elusive ingredients of a high growth recipe

Peter Marsh continues his series on expanding companies

"WE HAVE always bad cash and run our own show. We are in a special field wbich we find interesting. Ahove all we want to win."

So says Bernard Eastwell, chairman and managing director of VG Instruments, a scientific-instrument company which he started in a garage 24 years ago and whicb last year bad sales of £66m, four-fifths of this exports.

It is generally agreed that Britain could do with more people like Eastwell, an amiable figure who pilots his own aircraft to business meetings and relaxes by driving his red Porsche (fast) around the country lanes of Sussex.

Eastwell is an ex-Mullard physicist whose first commercial success was to design a new valve that led to a 100,000-fold drop in the very low pressurea in vacuum equipment. He bas stayed in cbarge of his company while it has split into a dozen different subsidiaries, each nf them run by entrepreneurial managers continually seeking ideas for new products.

It is this type of rapidly expanding high-tech manufacturing company which many observers of British indnstry, from Margaret Thatcher downwards, desperately want to encourage. Such companies, so it is boped, may be able to grow fast enough to make an international impact and in the process generate significant wealth and employment to compensate fnr the demise of other areas of manufacturing.

What are the essential ingredients which companies of this type requlre? To find out, the FT studied six concerns (see table), all of tbem extremely promising medium-sized manufacturers which are based in the UK and involved in novel applications of science and technology.

Apart from Eastwell's company, they are Eurotherm, a Worthing-based manufacturer of control equipment; Research Machines, an Oxford computer company; Quantel, part of the UEI electronics and engineering group, which is in Newbury and makes equipment for TV and design studios; Electrotech, based near Bristol, which makes semiconductor production systema; and LK Tool, a factory automation specialist in Castle Donington, near Derby.

While VG Instruments, Eurotherm and UEI are all puhlic companies, the other three are privately owned, LK Tool heing part nf Cincinnati Milacron of the US, which acquired the company about 18 months ago. LK Tool, the only one of the six to be owned by a non-UK coocern, was included in the study because all the salient features in its growth took place before the acquisition.

All six companies share several cbaracteristics. They bave been growing in recent years at a more than respectable rate, 30 per cent annually in the case of Quantel, VG Instruments and Eurotherm and by sevenfold since 1983 for LK Tool.

The companies are by no means new. The youngest, Quantel and Reaearcb Machines, started in 1973 while the oldest, LK Tool, is this year celebrating its 25th anniversary. Growth in each case was far from rapid initially hut has built up as the companies matured. None of the companies needed signiflcant injectinns of capital in the way of eqnity from institutions or by share issues until relatively late.

In every case, the engineers who started tbe companies are still firmly in control. They have, however, recruited into key positions specialist managers, for instance with marketing skills, to supply nnn-technical expertise not possessed by the founders.

With the exception of Reaearch Machines, all the concerns are substantial exporters, generally preferring to sell their products overseas through subsidiaries rather than relying on distrihutors.

All the companies are "engineering driven" in that the development of technical ideas takes precedence to thoughts about exactly where new products are to be marketed. There is general agreement on the importance of keeping working units small, to minimise bureacracy and to simplify the way that ideas can be translated into products.

Take Quantel, which shot to prominence in the 1970s hy developing ingenious electronic systems for TV broadcasters. With the equipment, used hy TV studios all over the world, engineers can enlarge, compress or merge images at the touch of a few huttons.

Then followed the product for which Quantel is probably best known, a computerised "paintbox" which is used as an electronic ald in graphics design, botb in TV studios and in the production of advertising material. In the past five years, the company has sold ahout 400 of these machines at up to £150,000 each.

Quantel has continued to develop new electronic gadgets, ranging from ever more complex special-effects equipment for TV to instruments which clean np radar images or monitor the flow of blood in people's veins.

"We are not interested," says Richard Taylor, Quantel's managing director, "in markets which already exist—we want to create new ones." At any one time, some 25 research projects are under way in the company's development laboratory (probably the only one in the world to keep a parrot as a communal pet).

The projects are started not as a result of detafled market research bnt on the basis, says Taylor, of whether they "feel right." Each may require a number of changes in direction before it reaches the production stage, a process which can take four years. According to Taylor, nnly about 5 per cent of the development schemes the company has started bave failed to turn into useful products.

In the case of VG Instruments, proposals for new products from the group's subsidiaries—which over the years hava split off, amoeba-like, into separate units concerned with such products as mass spectrometers, microscopes, surface-analysis equipment and semiconductor-fabrication systems—are vetted by a small beadquarters team in Crawley led by Eastwell. But the VG chairman says he has only to be "half convinced" that the idea is sound before he agrees to start its development.

The approach hinges, says Eastwell, on hiring from the outset entrepreneurially minded employees. There is "no magic formula," according to tbe chairman, behind VG's policies for recruiting scientists and engineers. "There are all kinds of indications as to whether someone is going to do well. One is enthusiasm. Another is a feeling that the person knows what business is about—he or she doesn't just talk about a technical suhject but discusses the possibilities of a market."

Once a development project begins, Eastwell "seeds" it with small amounts of money. "There are some losers (among the projects) but not too many. We never spend too much initially and we never start the schemes in the first place unless we are sure of the people."

Eurotherm adopts a similar strategy to tha instruments company in appointing "product champions" from within the group to mastermind new developments. In this way, it bas spawned four main subsidiaries, in temperature and process control, chart recorders and variable-speed drives, together with a dozen or so smaller ones in areas ranging from printers to computer-aided design.

The company aims to continue expanding mainly to maintain career opportunities for the people within Eurotherm, according to John Shackleton, joint managing director. Sbackleton says that this strategy belps his company to keep its hrightest and most ahle employees wbo are in danger of being lured away to rivals.

Shackleton disagrees with the notion that UK engineers may be hrilliant innovators but are useless at selling. Virtually all Eurotherm's sales people are graduate engineers who are given early experience of learning about customers' requirements, for example hy goiog out with maintenance staff on service calls. "They soon hecoma aware nf the different facets of marketing," ha says.

The Eurotherm head also sees no reason why even fairly large organisations — Eurotherm now has 2,000 employees — should fail to keep up a "small company" approach. By this he means that the company is organised as a kind of federation of small operating units, each containing no more than some 300 people.

In this way, people can huild up close working relationships with colleagues, management chains are kept short and there is more chance of good technical ideas for new products bnbhling to the surface rather than being submerged by bureaucracy. "We are convinced," says Shackleton, "that with only minor adaptations the ideology we had in nur early days can also apply to a big company."

The progress of both LK Tool and Electrotech shows what can be done, even in fiercely competitive markets dominated by multinationals, if a small concern with a strong commitment to technological excellence keeps an eye npen for opportunities missed by the major corporations.

LK Tool, originally a tool maker for customers such as Rolls-Royce, started the development of highly complex measuring machines (to fit to automated machine tools and similar equipment) during the late 1960s. In the engineering recession of the 1970s, rather than cut development work, the company poured casb into improving its products. It devised its own electronic control equipment and was an early pioneer in applications of carbon-fibre, which was used to make high-strength and extremely rigid components and increase measuring accuracy.

"The thinking then was 'Let's see where we can go in the next 10 years'," recalls John Beckett, the company's chief executive. In the past three years, the approach has paid off bandsomely, with sales nearly doubling every 12 monlhs and 70 per cent of output going to the US. US customers include such hlue-chip engineering concerns as TRW, Boeing, Pratt and Whitney, General Dynamics, Westinghouse, Chrysler and General Electric.

Electrotech, which is still owned hy the three engineers who started the company (with two colleagues) back in 1968, has proved to be nimble enough continually to find niches in the world's semiconductor-equipment market, a business dominated hy giants such as Applied Materials of the US and Anelva of Japan. "In this area it's really the technology that sells," says Frank Keeble, technical director and co-founder. "Our main motivation is to see a piece of our sophisticated equipment chimtering away doing a useful job."

Of all the six companies, Research Machines, started by Mike Fischer and Mike O'Regan, two Oxford graduates, has perhaps the most formal approach to the development nf products. These are mainly computers used in schools and colleges, though the company is now hranching out into other areas, such as communications networks for bakeries Ind estate agents.

Before a development project starts, the company maps out a detailed planning schedule for the next two or three years, taking in such aspects as the envisaged markets for the product, the main stages in the development and the way the machine will be made. Fischer, the company's managing director, says he learned this approach from the Japanese.

Posing as a potential customer, he toured Japan's electronics plants roughly twice a year between 1979 and 1981, taking in the working methods of companles such as Hitachi, NEC and Mitsubishi. Fischer made these visits, and similar tours of US companies like Tandem, Rolm and Teradyne, because he was "appalled by the conventional wisdom of current UK management."

Like many of the other five companies, Research Machines makes wide use of subcontractors in manufacturing its products, and adopts the latest manufacturing technologies, sucb as computer-aided design and computerised work planning methods, to minimise costs and improve production standards.

The Oxford company, despite subcontracting 70 per cent of its manufacturing, retains control over this work tn a degree which is unusual for such a concern. To keep np quality, It buys all the components itself befnre banding them to subcontractors. Tha company's computerised work scheduling system, which it installed in 1983, within a year virtually balved the volume of components it kept in stock, cutting maunfacturing costs and increasing profits.

Like many of the people behind all six companies, Fischer is driven by an almost messianic vision of the kind of world-class operation which he wants his organisation to become and which he thinks otber industrial concerns should strive towards. He says he is worried that many large UK manufacturing companies "are not trying hard enough" either to improve quality or to generate new ideas and first-rate managers.

Finding good-quality people to recruit is, for Research Machines and many of the other five concerns, a real stumbling block to further rapid expansion. As fnr the long-term plans of Research Machines, Fiscber is aiming high: "We want to create a European version of a Hewlett-Packard or a Matsushita."

Previous articles in this series appeared on June 9 and 11.

Bernard Eastwell: his approach hinges on hiring entrepreneurially minded employees

SIX UK HIGH-TECH SUCCESSES

Company	Commercial activity	Annual sales (£m)	Employees	Year of formation
Eurotherm	Control equipment	81	2,000	1965
VG Instruments	Scientific instruments	66	1,600	1961
Quantel	TV/design systems	50	550	1973
LK Tool	Measuring machines	35*	160	1961
Electrotech	Semiconductor instruments	25	650	1968
Research Machines	Computers	17	250	1973

* Estimate.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday June 13 1986

South Africa in crisis

AS THE South African crisis deepens, so Mr P. W. Botha is slamming the door on the diminishing opportunities to resolve a conflict which threatens to engulf southern Africa. By rejecting the Commonwealth proposals designed to initiate constitutional talks between black and white he has denied the concerned outside world the chance to play a mediating role. By arresting hundreds of black leaders under yesterday's reimposed emergency laws, he has demonstrated his refusal to tolerate the dwindling number of legitimate representatives of the country's black majority still at liberty. Mr Botha and his government now stand isolated, at home and abroad, bankrupt of policies other than the iron fist.

The report presented yesterday by the Commonwealth Eminent Persons' Group on the outcome of its mission to South Africa is a damning verdict on Mr Botha's efforts to create an equitable society. The reforms that have been initiated, overdue but none the less welcome, have been leading, it seems, not towards a non-racial and representative government. They are little more than an attempt to modernise apartheid and to give it a more human face. In the words of the report, the South African Government "is in truth not prepared to negotiate fundamental change, not to countenance the creation of genuine democratic structures, nor to face the prospect of the end of white domination."

Economic measure

Pretoria failed to measure up to every yardstick presented by the group. It found no genuine intention to dismantle apartheid; draconian legislation was being strengthened, not lifted; Mr Nelson Mandela and other political prisoners remain in jail; political freedoms are being further curtailed; and the Government rejected the proposal that violence should be suspended to create a climate in which all-party talks could take place.

This bleak assessment presents the Commonwealth and the West as a whole with a challenge persuasively put forward yesterday by the two co-chairmen of the Group, Mr Malcolm Fraser and General Olusegun Obasanjo. Concerted international effort, they maintained, offered the only chance of averting what the report describes as a "racial conflagration" and major armed conflict spilling beyond South Africa's borders. Such an effort, they said, should be based on fresh economic measures against South Africa, and western leaders should consider actions which range from the psychological, such as the suspension of air links, to embargoes on the import of fruit and vegetables or bulk goods such as coal.

Before new measures are imposed, their impact and practicality must be carefully assessed. Such a study, perhaps co-ordinated by the Commonwealth Secretariat, should go ahead as a matter of urgency, to be completed if possible in time for the meeting of Commonwealth leaders in London in early August, when they will discuss their response to the report.

The arguments used in support of further measures are nevertheless compelling. As the report points out, it is not sanctions which will destroy the country but the persistence of apartheid and the Government's failure to engage in fundamental political reform.

Concerted action

The Commonwealth Group is convinced that Pretoria fears effective economic measures. If the Government is allowed to believe that, however intransigent its stand or violent its repression of black opposition, the West will not act, the process of change is likely to remain tortuous and equivocal.

There is a further important point made by the Group. Well placed to assess black opinion after three visits to South Africa during which they met a wide range of residents. If black South Africans believe the West will never exert sufficient pressure on Pretoria, they will exercise their only option: ever-increasing violence.

As Mr Fraser and General Obasanjo stressed yesterday, the black "government" that comes to power under these circumstances will be profoundly inimical to the West.

The purpose of economic sanctions at this time is not to cripple the South African economy, but to persuade Mr Botha to think again. The collapse of apartheid is inevitable, but concerted action by the West may yet keep alive the hope that white rule may be ended by negotiation and not by violence.

Sitting tight in Ulster

THE BRITISH Government's decision to dissolve the Northern Ireland Assembly, formally announced in the House of Commons yesterday, can have surprised no-one. When the assembly was set up four years ago it was more in the hope than the expectation that it would provide a forum for the devolution of power to the province. It also played a role in monitoring Ulster's affairs in the security, economic, social and cultural fields. However imperfect, it was a body which reflected at least some Ulster opinion.

Yet the assembly was marred from the start by the refusal of the mainly Catholic Social and Democratic Labour Party to participate. The SDLP contested the initial elections, but declined to take up its seats. Hopes that it would change its mind were never fulfilled.

Following the Anglo-Irish agreement last November, the Unionist members gave up their original functions. The assembly became a forum for attacking the agreement and the non-sectarian Alliance Party walked out. Dissolution became inevitable after the Unionist leaders refused to talk to Mr Tom King, the Northern Ireland Secretary, about the assembly's role.

The timing was determined by the new elections which were due by October 20. There would have been no point in holding them in the present climate. Nor is there any reason why the British Government should go on funding a body so bent on rejecting every British initiative.

Marching season

It is, however, dissolution not abolition. The statutory power to reconvene the assembly with fresh elections remains. That is unlikely to happen in the near future, but if the people of Ulster are ever to agree to talk to each other acros the religious divide, they will need some forum in which to do so.

For the present it is the continuation of direct rule, and direct rule without the local input that the assembly when it was at least partially working could provide. It is also the marching season in Ulster when British initiatives are unwise. British policy therefore must be, and almost certainly will be, to sit it out until the autumn when there might be some chance that talks can be revived with the Unionist parties.

The omens are not good, but the prospects are even worse when looked at from the point of view of the Unionist leaders. At present, they have almost no say in Ulster's affairs. The Official Unionists are leaning towards integration with the mainland, but it is being made clear to them that it is not on. Northern Ireland is too different from Britain. All the Unionists, bar Mr Enoch Powell, tend to boycott the House of Commons, and therefore deprive themselves of the opportunity of influencing Ulster policy from Westminster.

Long haul

At the same time, the only outside channel of pressure on Britain's Ulster policy-making has become the Irish Republic. The Anglo-Irish agreement survives intact and is unlikely to be lightly thrown away. The cross party consensus supporting the agreement is still in force, as was illustrated by the response to Mr King's statement about the assembly yesterday. The agreement has already produced some gains in improving security.

Among the more encouraging signs, the Churches in Northern Ireland are urging a resumption of talks and Mr John Hume, the SDLP leader, was notably conciliatory when he repeated his offer of direct discussions with the Unionist leaders after acknowledging that the assembly had to go. There was also a suggestion in Mr King's statement that Ulster business might be given more time, and less of it at impossible hours, in Westminster, if only the Unionist MPs would resume their seats.

It is not much, but it was always known that the Anglo-Irish agreement would be a long haul. This is part of the haul. Besides, there remains no agreed alternative.

SOUTH AFRICA

Mr Botha turns up the heat

By Anthony Robinson in Johannesburg

"IS LAWRENCE there? No he was taken by the system at two o'clock this morning." My telephone call early yesterday morning to Lawrence Ntlokoa, chairman of the Kasigo Residents Organisation, was the first inkling of a massive police swoop on black community leaders, trade unionists, churchmen and leaders of anti-apartheid organisations like the United Democratic Front and the black consciousness Azapo movement. Mr Ntlokoa is the man who brought a civil case, still being heard, against Mr Louis Le Grange, Minister of Law and Order over alleged unlawful police action. By noon the Ministry of Information had announced that President P. W. Botha had declared a state of emergency from midnight on Wednesday, four days before the tenth anniversary of the 1976 Soweto rising. South Africa thus entered its gravest crisis against the background of a week's near panic on the foreign exchange market and the risk of descent into a siege economy.

The Afrikaner - dominated South African state, which throughout 21 months of violent unrest in black townships has warned that it has used only a fraction of the power in its hands, now seems determined to use that power fully.

Those within the security establishment who have argued for massive repression at one go rather than the current policy under which nearly 2,000 blacks have died in the last 21 months, appear to have won the day.

What stayed the government's hand until now was both external pressures—the threat of sanctions and the Commonwealth Eminent Persons Group—and a diminishing hope that the combination of reform and force, including the seven-month partial state of emergency, would see a gradual end to violence.

Instead the violence has spread from the townships to rural areas and the homelands. Black leaders have become increasingly self-confident against the backdrop of rising militancy among right wing whites, including those in the police and army.

These factors have led to a radical shift in emphasis back to the laager mentality.

On May 15, only two days after the Eminent Persons Group (EPG) arrived on its second mission to seek negotiations between the government and the banned African National Congress (ANC) and other black groups, President Botha publicly castigated the "unsolicited interference of meddling groups" visiting the country. He also warned that "nobody must underestimate our determination to maintain law and order. . . People who perpetrate violence must take note that they will inevitably face the full power of the state which has not nearly been applied to the full."

Four days later the South African military launched raids against alleged ANC facilities in Botswana, Zambia and Zimbabwe. The same evening the EPG returned to London to prepare a report, issued earlier this week, highly critical of the South African government's intransigence.

But if President Botha thought that torpedoing the EPG and attacking neighbouring countries would appease right wing Afrikaners and rally white support he was disabused three days later when Mr Eugene Terre'Blanche, leader of the right wing, para-military Afrikaner Weerstandsbeweging (AWB) prevented Mr Pik Botha, the Foreign Minister, from addressing a meeting in Pietersburg, Northern Transvaal. Ominously the police, angry and frustrated after seemingly fruitless efforts to contain unrest, ostentatiously failed to prevent disruption to the National Party rally. This added credence to the AWB's claims that many, if not most of the police, sympathised with it.

Meanwhile, the daily toll of death, fire-bombing and violence has continued unabated. Less than 15 kms from parliament itself three weeks of factional fighting in the Crossroads squatter camp has killed nearly 60 people and left 80,000 homeless amid accumulating evidence of direct police support for one of the factions involved. To cap it all, the US Congress has just approved its toughest-ever package of economic sanctions and the EPG has left little doubt that the Commonwealth will shortly be asked to do likewise.

Twenty-five years after Dr Hendrik Verwoerd led his country out of the Commonwealth, South Africa thus finds itself isolated as never before. Even so the authorities might still have kept their nerve had this combination of factors not coincided with the imminence of the most emotive date in contemporary South African history—the 10th anniversary on Monday, June 16 of the 1967 Soweto uprising.

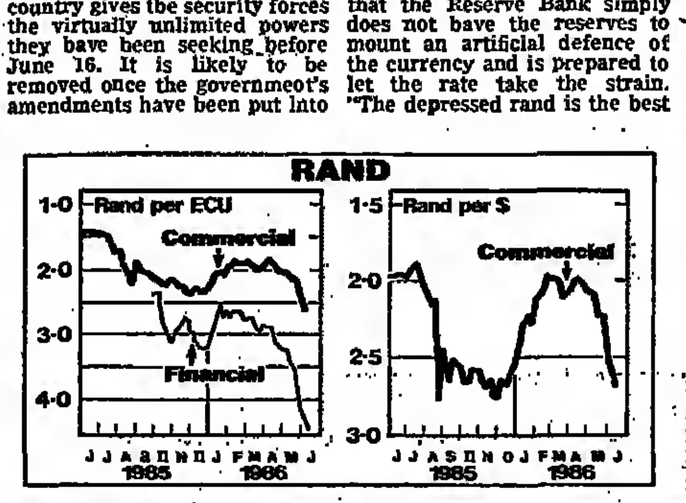
Rightly or wrongly the government, and above all the security forces, appear to have convinced themselves that June 16 has been set as a date for a co-ordinated, nationwide attack by black radicals on the whole system of white domination. Last week Mr Louis Le Grange, the tough and controversial minister of law and order, banned all meetings to commemorate June 16 and June 26, anniversary of the publication of the "freedom charter" in 1955. The charter, which calls for a non-racial democratic South Africa and the nationalisation of mines, banks and major industries, is the bible of most black opposition groups.

But the government's attempt to pass draconian amendments to the existing internal security and public safety acts has been blocked by the coloured and Indian houses of the tri-cameral parliament. These amendments would have permitted Mr Le Grange to declare any part of the country an unrest area, detain people without trial for up to 180 days without recourse to the courts, provide a blanket indemnity for the police and give him wide powers to control the media.

Imposition of a state of emergency over the whole country gives the security forces the virtually unlimited powers they have been seeking before June 16. It is likely to be removed once the government's amendments have been put into force by presidential decree.

To this extent the government has been forced against its will to introduce a full state of emergency, in the knowledge of what happened to South Africa's external image and foreign investors' confidence the last time the emergency was declared on July 21, 1985. Five weeks later the government was obliged to close the foreign exchange markets and the Johannesburg stock exchange, declare a partial moratorium on capital repayments covering $14bn of the country's then foreign debt of $24bn and re-introduce the two-tier rand.

There is not likely to be a repeat performance, mainly because the restrictions introduced in the September debt moratorium package, and subsequent tightening up of exchange control regulations, mean that barriers are already in place to prevent a capital outflow. Dr Gerhard De Kock, in Switzerland for a meeting of the Bank of International Settlement this week indicated that the authorities had no intention of introducing any further exchange controls. This position has certainly been taken at face value by exchange dealers in Johannesburg who pointed out that the Reserve Bank simply does not have the reserves to mount an artificial defence of the currency and is prepared to let the rate take the strain. "The depressed rand is the best deterrent to capital flight and besides, by now we have got used to living in a state of turmoil," said one exchange dealer for a major foreign bank.



The depressed rand will once again work through into higher rand profits for gold producers and other mineral exporters as well as keeping imports depressed. But its inflationary effects on an economy already suffering from 18.6 per cent retail price inflation (April) and five years of depressed investment, will only add to the troubles of a minister of finance stuck with an economy which stubbornly refuses to lift itself out of recession.

With most major non-mining sectors deeply depressed the Government is believed to be on the point of introducing a stimulatory package, possibly on June 16 itself. But as sanctions pressures rise inexorably in the wake of the latest emergency measures, the Government is facing strong demands, particularly from powerful sectors of Afrikaner business and finance who argue that the rules of an open market economy cannot be applied to a country virtually under siege.

The siege economy faction, whose leading proponent is Mr Fred du Plessis, head of the large Sanlam Group, are still in a minority. But much of business and finance, especially companies which unlike Sanlam rely heavily upon foreign trade, fear the Government's slide into isolated authoritarianism will inevitably hasten the arrival of siege conditions. Many leading industrial groups, like Anglo American Corporation and the Premier Group—whose chairmen were in the delegation which held talks with the ANC in Lusaka last year — have already declared June 16 a holiday and have pleaded with the Government to take a less confrontational approach. They point to the experience of May Day, six weeks ago, when nearly 2m black workers staged the biggest "work stayaway" in South African history. Mass rallies were held throughout the country. The police kept a low profile. There were no deaths and precious few arrests. Next day the country returned to work as normal.

The Government, as so often in the past, appears to have ignored the pleas of the business community. Instead it has succumbed to the temptation to use June 16 as an opportunity to decapitate the widest range of black organisations and give the police virtually limitless powers. The Press will also face additional restrictions in its coverage of developments in black areas. The danger, as Mrs Helen Suzman, the opposition Progressive Federal Party (PFP) spokesman on law and order pointed out, is that by arresting black leaders the Government could face a more chaotic situation in black areas leading to even greater bloodshed.

In its defence the Government argues that order is essential if it is to carry on with its Apartheid reform policies which include the scrapping of influx control and the pass laws, property and business rights for blacks and other measures designed to make Apartheid less offensive. It also says it wants to share political power with blacks and is prepared to negotiate with the ANC, provided it renounces violence first.

In 1976 the Soweto rising spread around the country before resistance eventually subsided 18 months and 700 deaths later. But in the intervening ten years the ratio between whites and blacks and the balance of power has changed significantly. The fact that the current unrest has lasted for 21 months with no sign of diminishing is not merely a result of what the authorities see as their relative "restraint." It also reflects the emergence of powerful black trade unions, a nationwide network of black community associations, often linked to the United Democratic Front (UDF), and strong moral and material support from the churches, many whites—and the international community.

Reform of the government's pace is no longer acceptable to the majority of blacks who are increasingly active in organisations whose main aim, like that of the Solidarity movement in Poland, is to circumvent and ignore the authority of what is in their eyes an illegitimate and repressive government. The past two years have seen the emergence of black alternative organisations in the townships and schools. Radical blacks have also waged war on the symbols of white authority in the townships—including black policemen, councillors and suspected informers.

This is the challenge to the government's authority which the security forces now appear to have been given carte blanche to smash. If they succeed the long term price in racial bitterness could however be much higher than the cost of negotiation, an option which has now been decisively rejected.

Men and Matters

Asia's lending hand

Masao Fujioka's reserve and innate conservatism—qualities usually appreciated among bankers—have got him into trouble recently. Which is why the Japanese president of the Asian Development Bank appeared on the defensive when addressing a gathering of his peers in London yesterday.

Fujioka, recently elected for a second term, has been under attack from two quarters. The US, the bank's second biggest shareholder, has been unhappy with his reluctance to adopt more market-orientated policies, especially lending to the private sector. Third World countries, such as India, meanwhile, blame his prudence for a significant slowdown in the bank's lending activities.

The urbane Fujioka seems to be taking it all in his stride. He insisted yesterday that the ADB's primary responsibility was to ensure that the bank adhered to sound financial policies.

The former Japanese civil servant conceded that his differences with the US were fundamental. Joe O. Rogers, the Reagan Administration's man at the ADB's Manila headquarters, and the bank's newest director, has been unashamedly pushing for development of the private sector.

Fujioka has fashioned a compromise by making some funds available to the private sector but insisting firmly that "we do not pursue privatisation as an ideology."

He blames the ADB lending slowdown partly on the drop in economic activity in Asia. "Although Asia will remain an area of higher economic growth than anywhere else," he says, "the days of double digit expansion are gone. We shall witness a steady but slower expansion over the next decade."

"Don't worry—the aircraft are American, with luck the engines will be—only the name's British, sir"

Space salesman

Jean Sollier, the veteran French aerospace engineer, who has taken over as chairman of the Societe Europeenne de Propulsion rocket engine company, promises to bring a hard-headed approach to firing objects into space—big business nowadays.

Sollier has moved into the chairman's seat vacated explosively a fortnight ago by Roger Lesgards.

Lesgards, nominated by the previous socialist government, brought a dash of colour into the company which makes engines for the European Ariane rocket. But according to Snecma, the state-owned aero engine group, which owns 50 per cent of SEP, he failed to apply sufficient zeal to convert SEP into a fully-fledged industrial group.

Possible shortcomings in SEP's industrial organisation were underlined by failure in the third stage engine which resulted in Ariane's latest crash two weeks ago.

To underline that Snecma is bringing SEP firmly under its wing, Sollier will keep his position as assistant managing director at the aero-engine group, while guiding SEP into new orbits.

Sollier, aged 53, has had long experience of trouble-shooting missions in 24 years with Snecma. His strong links with Britain go back to Snecma's collaboration with Rolls-Royce over Concorde. He recalls with good humour some of his earlier visits to the Rolls hq in Derby where his anxious-to-please hosts diverted him with guided tours of the Peak District countryside when he would have preferred to get down to talking engines.

Rover's return

Graham Day has decided he would prefer to be chairman and chief executive of the Rover Group than of the anonymous-sounding BL.

Apart from restoring to prominence the most historic name in British motoring, it is just one more indication that he intends to practice a highly personal management style now that he has begun to settle in with the state-owned motors group after six weeks.

Day intends to reverse completely the process attempted by Sir Michael Edwardes back in 1978.

Edwardes, executive chairman at that time, decided that the holding company should become as invisible as possible, leaving all publicity to the operating subsidiaries such as Leyland Trucks, Austin Rover and Land Rover.

His scheme never really worked because the holding company remained so much in the public eye. It was, of course, responsible for relationships—sometimes strained—with government, and with the large body of small shareholders who remain on the register to keep the stock exchange quotation alive (and can be vociferous at annual meetings).

Only pedantic people like Financial Times writers ever bothered to use the BL appendage. To the rest of the world the group has been British Leyland, or simply Leyland.

So one more name change is not likely to cause more confusion. Since Austin and Morris merged in 1952 to form British Motor Corporation the group (often as a result of further acquisitions) has been British Motor Holdings (1966), British Leyland Motor Corporation (1967), British Leyland (1975), and then BL (1978).

Rover might be considered an apt choice because it is the oldest name owned by the group. It dates back to 1888, and was first used on a tricycle produced by John Kemp Starley and William Sutton, who set up in business in Coventry 11 years earlier. They first used the badge on a car—an 8-horse power model—in 1904. It was successful enough for them to change the name of their company to Rover in 1906.

In due course

As any benefit claimant will testify, telephoning offices of the Department of Health and Social Security can require considerable reserves of patience and good humour.

Pity, though, the plight of private hospital manager David Hall, who rang the London number given by the DHSS for obtaining forms for notifying the Secretary of State of "notifiable works and changes" as required by the Health Services Act 1980.

On being connected, he was told: "Sorry, but the person who deals with that is on a course—for a year."

Hall, of the Holly House hospital in Buckhurst Hill, Essex, writes in this week's issue of Health Service Journal: "Had it not been for the political leaning of the present government, I might have been tempted to think this was a new means of controlling growth and expansion in the private hospital sector.

"As it is, I can but hope that the person's course is nearer its end than its beginning."

Observer

POLITICS TODAY

Dr Owen writes his own manifesto

By Malcolm Rutherford

DR DAVID OWEN really has stuck out his neck this time. The argument within the British Liberal-Social Democratic Party Alliance is only partly about defence. It is also about the future of the Alliance, how it should be run, how far the Social Democrats should preserve a separate identity, and about the future of Dr Owen as a political leader.

Dr Owen knew all that when he made his speech in Bonn last week insisting on the need for Britain to maintain nuclear weapons in virtually all foreseeable circumstances. The SDP leader was seeking to preempt the report of the Joint Alliance Commission on Defence and Disarmament published on Wednesday.

The contrast between Dr Owen's speech — incidentally, one of the best he has made —and the Commission's report is all about politics, and only secondarily a study in defence.

Defence always was a subject that could potentially divide the Alliance, especially given the strong unilateralist, anti-nuclear leanings of sections of the Liberal Party. Thus the Joint Commission was set up in 1984 under the chairmanship of Mr John Edmonds, a former Foreign Office expert on arms control, in order to make recommendations that could be put to the respective party conferences — Liberal and SDP — in the autumn of this year.

It has produced a responsible, serious, sober document. Liberal MPs such as Mr Paddy Ashdown, who used to be regarded as rather a wild man, do not take it amiss when it is pointed out that a very similar document could have been produced by (say) the Royal Institute of International Affairs (Chatham House) or even the Foreign Office within a few days. That, they say, is its merit. The Commission set out to remove the emotion from defence arguments: the gungho-ism on the Tory right and the unilateralism on the Labour left.

The report's other merit is entirely political. It represents a compromise that most leading members of the Alliance can happily live with and can put to their party conferences with a reasonable expectation of approval.

It is very strong on arms control. All the measures that have ever been discussed in defence circles over the past 20 years or so are there: a more determined approach to the talks on mutually balanced force reductions in Vienna, more muscle to the Conference on Disarmament in Europe in Stockholm, another go at securing a comprehensive test ban treaty, and a plea for a battlefield nuclear-weapon-free zone in central Europe.

The report is also firm on defence expenditure, which some of the members of the Commission say may have to go up. It is loyal to the Atlantic Alliance and wants to develop a stronger European pillar to ensure a better balance between Europe and the US. It says quite plainly: "There is no hiding place for a middle-sized power like Britain from the problems of the world around us."

There is nothing in that summary of recommendations to which Dr Owen could reasonably object; nor the present Government either, come to that.

It is only when it comes to the successor to Polaris that trouble breaks out. Or, to put it another way, it was here that the Commission thought that the trouble could be contained by agreeing to postpone the decision to another day. Dr Owen threw down the gauntlet when he made his speech in Bonn.

Polaris comes to the end of its life around the mid-1990s. The Conservative Government has already contracted to succeed it with the Trident system under which the missiles are bought from the Americans.

All the other political parties are against this replacement. The Labour Party would cancel Trident outright and probably end Britain's rôle as a nuclear power. The report of the Alliance commission also recommends Trident's cancellation. The commission accepts, however, that Polaris should be kept in the meantime and leaves open whether there should be a nuclear successor.

Paragraph 67 says in part: "We believe that the Polaris submarines should be maintained in service as a European contribution to deterrence for the next decade—well beyond the life of the next Parliament —and do not need to be replaced now."

Paragraph 68 goes on: "No decision on whether and, if so, how British nuclear weapons should be maintained beyond Polaris can properly be made except in the light of:

● The progress of arms control and disarmament;

● The balance of relationships within Nato between Europe and the US;

● The range and costs of the technical alternatives which might be available to maintain a European minimum deterrent;

● The views of our European allies on whether new British nuclear capabilities are required for European defence."

It is clear that those two paragraphs were meant to represent the compromise between the Alliance partners, and the sop to Dr Owen who is keener than most of his colleagues on maintaining British nuclear forces indefinitely.

The compromise can also be quite reasonably defended on the grounds that circumstances change and there is no need for an opposition party to make a commitment now on a subject that may only arise several years ahead.

Dr Owen: appeared to sniff at a compromise

If there is a flaw in the Commission's argument, it is that it may be rash to cancel Trident without having much of an idea of what can be put in its place. The Commission says that Trident is too expensive. According to the latest Defence White Paper, it will absorb about 3 per cent of the defence budget or 6 per cent of the equipment budget over the period of procurement. It is very difficult to be sure that that is unnecessarily expensive without having some alternative system to measure it against, and as yet the alternative does oot exist.

The Commission also argues that Trident is too powerful for British or European requirements. Certainly it is much more powerful and probably more accurate than Polaris. Yet the fact is that it is the system that is available. If it is a deterrent and not to be used, the degree of potential overkill is irrelevant.

In any case, the Commission has no great need to make the argument so far as Dr Owen is concerned, for he himself appears to have no particular commitment to Trident. He said in Bonn: "The British contribution to strengthening the European pillar to Nato . . . must also include for the present maintaining a minimum nuclear deterrent. It does not need to be of the super sophistication of Trident."

Thus Dr Owen could perfectly well have warmly endorsed the Commission's findings if he had wanted to and, to be accurate, he has certainly not rejected them. What he has done is to try to put his own personal stamp on them: to seek to ensure that there is no whittling away of the Commission's recommendation to consider a replacement for Polaris by means of postponing the decision, and to place on record his own commitment to Britain remaining a nuclear power.

It was a political action that takes account of the possibility that the SDP might want to keep its separate identity rather than merge with the Liberals after the general election.

Yet the trouble is that if one person seeks to place his own interpretation on a report, others may do the same. The autumn conferences of the Liberals and the SDP could now be much more difficult. Whereas the Commission's recommendations might have been approved by both parties in a spirit of compromise, there could now be all sorts of amendments making it unclear what the Alliance defence policy is.

The anti-nuclear wing of the Liberal Party is already stepping up its campaign. There are also signs of protest within the SDP. Mrs Shirley Williams and Mr William Rodgers, two of the founding members, have been critical of the way Dr Owen has handled the matter. A compromise was there and could have been lived with. Dr Owen appeared to sniff at it.

Such potential splits are a gift for the other parties. The Conservative Central Office is putting out literature nearly every day aiming at showiog that the Alliance is divided. Mr David Steel, the Liberal leader, is aware of the problems. "I don't think that we could go into an election with one set of candidates saying one thing and another set saying the other," he said on television on Sunday. "It isn't the end of the world if that happens. But in my view it's pretty close to it."

Can the situation be retrieved? The answer is possibly yes. There is, after all, no disgrace in having disagreements on such a fundamental matter as nuclear defence. And there was a great deal else in Dr Owen's Bonn speech that was entirely compatible with the recommendations of the Joint Commission.

The European dimension is the striking example. This is an old idea, as much associated with Mr Edward Heath, the former Tory leader, as anyone. It is that Britain, France and West Germany should get together to co-ordinate their defence policies. It has never fully taken off in the past, but it is more relevant than ever today.

Britain and France, as the two European nuclear powers, and West Germany as the European country with the most effective conventional forces could find that they have a great deal to say to each other. It would not be an anti-American act, but it might present the Americans with a single European voice.

The point about British nuclear weapons is that they are there because they are there—for historical reasons. The question at issue, as the Defence White Paper emphasised last year, "is not whether this country should become e nuclear power: it is whether we should give up a major defence capability and role that we already possess."

One could go further: since we have them, how should we use them diplomatically? One answer is to explore yet again the possibility of nuclear cooperation with France based on an understanding with Germany. That is what Dr Owen is getting at, and so, in its less ambitious way, is the commission's report.

Yet the Alliance will have to move fast if it can agree on such a course. It is not beyond the wit of the present Government to lean in the same direction and it is striking that the British Labour Party now has quite close contacts on defence with the West German Social Democrats.

When the history of Mrs Thatcher's premiership is written, it will be recorded that in the period all the British parties became more European. Who will lead the race?

Lombard

The Birkbeck controversy

By Michael Prowse

IF YOU are not yet fully conversant with the Birkbeck controversy, you soon will be. It is a David and Goliath story which is attracting increasing media attention and questions in Parliament. The story-line is simple and calculated to appeal to the British sense of fair play. Faceless bureaucrats at the powerful University Grants Committee have re-calculated the way they fund part-time further education. Result: a small college in Bloomsbury which specialises in the teaching of mature students faces financial ruin.

Like David, however, academics at Birkbeck College, which is part of the University of London, are proving pretty adept with a sling. Professor Roderick Floud, head of the college's History Department, who has emerged as chief spokesman during the crisis, is firing off pebbles with such ferocity that somebody at the UGC looks bound to get hurt. It is well known that bureaucratic organisations can make extraordinarily silly mistakes. This week, with its ham-fisted attempt to restructure the funding of part-time students, the UGC seems to have qualified for the dunce's hat, with first class honours.

Hitherto, the funding of part-time students has been something of a mystery. The problem is how to value them relative to *full-time students*; different ratios have been applied in different universities.

The UGC now argues that it would be "fairer to all" if the same ratio were applied everywhere. The new ratio is to be 0.5: in other words, part-time students are to be treated as though they cost exactly half as much to educate as full-time students. In the past, each Birkbeck undergraduate has been treated as equivalent to 0.8 of a full-time student. If implemented, the change would mean a cut of more than 30 per cent in Birkbeck's total income.

The idea that part-time students et different institutions should be funded on a uniform basis makes little sense. In most universities, part-timers are a small and unimportant minority riding on the back of the full-time student population: the academic staff and equipment used in their education are oeeded anyway for the full-timers. Birkbeck is quite different: it is unique in that it concentrates exclusively on teaching part-timers. All undergraduate lectures, for example, take place between 6 pm and 9 pm, because most of the students have full-time jobs in the day-time.

In treating a Birkbeck student as equivaleot to half an ordinary student, the UGC is displaying a remarkably poor grasp of arithmetic. A Birkbeck degree course lasts four years instead of the normal three. Over a complete degree course therefore, the UGC is proposing to give full-time students 50 per cent more cash than Birkbeck part-timers (3×1 funding units as opposed to 4×½).

This latest squeeze oo Birkbeck comes on top of the pressures faced by all universities as e result of the 15 per cent cut in real resources imposed by the Thatcher Government since 1981. If the Birkbeck approech to further edocation were in some way inferior or defective, the proposed 30 per cent cut might make sense. But it is not. Indeed, if anything, Britain needs a bigger rather than a smaller Birkbeck. It provides an exceptionally economic form of education because its students, working in the day-time, are contributing to GDP while they study. They are also highly motivated: they have to pay (np to £500 a year in fees) to attend lectures at a time when more privileged full-time students are in college bars.

If the Government had a sensible attitude towards further education it would not be sitting on its hands and saying that the UGC cao wield its axe in whatever crazy way it chooses, but thinking of ways of encouraging people to take edvantage of this most cost-effective form of study. It ought to take steps to remove the many biases against part-time students. It is inequitable, for example, that Birkbeck students should have to pay fees when ordinary students oot only have their fees paid by local authorities, but also get a grant to cover their living expenses.

Letters to the Editor

The wrong priority

From the Group Economic Adviser, Midland Bank

Sir,—The Prime Minister wants to be able to let the exchange rate take the strain when there is speculation against sterling (June 11). But if industry and the unions know that the exchange rate will take the strain, how can they be expected to bring down the level of wage settlements?

Which should have priority—flexibility for the Government in the run-up to an election or creating conditions likely to reduce wage inflation? By choosing the former, by staying outside the EMS framework, the Prime Minister is leaving the country without a firm monetary standard and jeopardising the goal of low inflation.

Andrew Bain.
Poultry, EC2.

Why shipbuilding is a disaster area

From Prof. M. B. Abbott

Sir,—What is it about shipbuilding that makes it such e disaster area? The article by Correlli Barnett (May 28) and subsequent correspondence in your columns cause me to write as a participant in the Esprit project: "*Shipboard installation of knowledge-based systems.*"

It is already clear from work on this project that substantial savings can be achieved in ship operations, both on direct running costs and service reliability, through providing on-board expertise supported, via advanced communication links, by shore-based expertise. Whether it be through providing improved routeings taking account of adverse sea conditions, or through reducing reaction times to accidents, new levels of ship efficiency are attainable. What surprises me, however, is that so little has actually been *done*, rather than talked about, in this direction, even though the opportunities have been staring the shipbuilders and ship operators in the face for a decade. Moreover, this neglect of opportunity is not restricted to just one shipbuilding nation, but seems to have afflicted all.

Looking at this matter more generally, it seems that there has been a remarkable lack of innovation of *the product itself*. Whereas manufacturers have come up with new aircraft, the superior qualities of which cause airlines to replace otherwise still adequate equipment, while car manufacturers have demonstrated similar innovative abilities, shipbuilders as a whole have not provided strong incentives to replacement. In the same vein, the ship operators, even while they complain about the predations of flags of convenience, have not provided the equipment and training that would increase efficiency and balance-out their higher crew costs.

Two closely inter-related factors help to explain this insufficient level of innovation. The one is that most ships and most ship operations are at least as complex as those of an airliner. The other is that the proportion of turnover devoted to research and development by shipbuilders has traditionally been considerably lower than that accepted in the aerospace industry.

Quite simply, there has been a mismatch between the complexity of the product and the means made available for its innovation. Investment has been concentrated on building and operating much the same ships cheaper than competitors rather than on ships that are decisively superior to those of competitors. It is striking that in the area of warship building in which the above two factors are rather better matched, European yards still hold a dominant position. The problem really appears to be one of industry structure, in the widest sense.

Michael Abbott,
Houvenstraat 61, The Hague.

Eliminating the tax on jobs

From Mr H. Law

Sir,—Andrew Smith rightly draws attention to the link between unemployment and high labour costs in the UK (Letters, June 4).

It is, however, important to distinguish between real wages (i.e., take-home pay) and gross labour costs. By the standards of the developed world, real wages in Britain are not particularly high. Gross labour costs are another matter altogether, for, on average, they exceed net pay by over 55 per cent. The difference is accounted for by "employer's" and "employee's" National Insurance contributions (NICs) and "employee's" PAYE income tax. Despite appearances, all of these are, in reality, paid by the employer and are a claim on the wealth created by the business enterprise. This is the notorious "tax on jobs."

In view of the existence of what is, in effect, a massive payroll tax, wage restraint could be expected to have only a marginal impact on the problem of Britain's high labour costs and consequent uncompetitive position. Nothing short of radical tax reform would effect a cure. We must acknowledge that the principal result of attempts at taxing wages is to push up labour costs and cause unemployment.

The Chancellor's aim should be to raise revenue in ways which do not discriminate against employment. It is necessary here to go back to first principles.

All taxation is a claim on current production. There are three factors of prodnction, labour, capital and land, the corresponding returns due to each being, respectively, wages, interest and "rent." The term "rent" is here used in the special sense as defined by David Ricardo, meaning the rental value of land. Taxes are thus a claim either on wages, interest or rent.

Of these three possibilities, we know only too well that taxes on wages will lead to less employment. Likewise, taxes on interest cause the dissipation of capital. The only remaining possibility it to tax the rental valoe of land. One of the few things that economists agree upon is that taxes on the value of land cannot be passed on. As a consequence, individuals minimise their liability to such a tax by holding no more land than they need.

Theoretically, the result of a switch from taxes on labour and capital to a tax on land values would be an efficient land market and the elimination of taxes which discourage enterprise and employment. Isn't it time that we took the idea seriously?

Henry Law,
19 Queen's Gardens, Brighton.

Not all the boats have sailed

From Mr R. Findlay

Sir,—The tone of Peter Marsh's article (June 9) on lost opportunities for UK CAD/CAM companies is unfortunate. In suggesting that we have missed the boat it fails to convey the continuing opportunities which exist in computerised technology.

It is naive (and unhelpful) to pretend that five years ago Britain could have created "a world class" industry. The real financial muscle in CAD/CAM is already firmly in the hands of US hardware companies. Most of these have recently been investing large sums in creating software resources to protect and grow their hardware sales into the 1990s. It is hardly surprising that they come shopping in Britain for this expertise.

The fact that innovative British computer software companies have been purchased by US concerns may indicate entrepreneurial weakness among the handful of large UK technology companies which could have launched major investment drives in this market. But it is certainly no sign of "extreme myopia" among the Cambridge "start-up" businesses, which would have been extremely foolish to attempt to penetrate the US market on their own.

Those of your readers who Mr Marsh's analysis has left regretting the loss of a "golden opportunity," can still catch other boats. British industry is high in the world league of using computers to improve manufacturing operations, as my own company's researchers (and your writers) have often reported.

A substantial market opportunity, well suited to British capabilities, is just beginning to emerge in the area of engineering software, as distinct from computer systems. The move toward integration of computers with production machinery is creating a so-far-unfilled international demand for engineering systems capability—the software that will make flexible manufacturing live up to its promise.

The CIM/Manutech 86 exhibitions, at Olympia, London, from June 17-20, will show this market opportunity clearly, including the European debut of General Motors' much-publicised Manufacturing Automation Protocol (MAP).

That event is also the launch pad next Thursday for British Manufacturing Technology Week in June 1987, dedicated specifically to highlighting the good news about our international competitiveness. I hope that Peter Marsh will come along and talk to some of the companies that are winning in this market and then report again to your readers.

Bob Findlay.
Franks Hall, Horton Kirby, Kent.

Different skills, different roles

From Mr I. Herbertson

Sir, — Professor Meade's points about profit-sharing schemes (Editorial, June 3) seem very sensible. However, those of Mr Roy Hattersley in the same edition are less persuasive. Mr Hattersley's suggestion that all employees should share in the "strategic decision" process simply ignores the point that different people have different skills and accordingly different roles within an enterprise.

The workforce contributes certain skills towards producing whatever is to be produced (goods or services) and should have rewards (pay or profit share) related to the skills for which it is employed. Equally management ought to be rewarded in a way related to its skills which should be, at least, in planning and organising (if they are not, then perhaps those involved should not be management).

Much more attention should be given to paying people for being good at what they do.

Ian Herbertson
15, Dovercourt Avenue, Thornton Heath, Surrey.

FINANCIAL TIMES
Friday June 13 1986

COMMERCIAL BANK CREDITORS AGREE TO TWO-YEAR LOAN PACKAGE

Poland given $2bn in debt relief

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

POLAND has reached agreement with its main commercial bank creditors on measures that will give it some $2bn in debt relief over the next two years.

The agreement, reached at a meeting at the headquarters of Creditanstalt Bankverein in Vienna between Mr Jerzy Malec, a senior official of the Polish foreign trade bank, and a group of top bankers, calls for repayment of 95 per cent of debt falling due in 1986 and 1987 to be deferred for four years.

Poland will pay an interest margin of 1⅝ per cent over Eurocurrency rates on the rescheduling. The banks have also agreed to reduce by ¼ per cent to 1⅛ per cent the interest margin on a $200m revolving credit extended to Poland in 1983.

Details of the agreement are now to be put to some 600 creditor banks of Poland worldwide in the hope that the deal can be signed in August.

Mr Gabriel Eichler, a senior executive of Bank of America, said the talks between Poland and its bankers had been more amicable than those with some other rescheduling countries. He said they involved "a recognition by the banks that there is a financial and economic problem and a recognition by the Poles of what the banks can and cannot do."

None the less, the accord represents a compromise struck after the banks reduced the amount of the downpayment they were originally seeking from Poland, while the Polish side dropped its request for fresh money loans.

The loans covered by the new deal are being rescheduled for the second time, having already been restructured in 1981 and 1982. Bankers said it was clear that the maturity on the reschedulings was too short. Since then, other countries have obtained longer-term deals. They said their estimates of the loans falling due in 1986-87 were $2.1bn, although Mr Malec was earlier quoted as saying that $1.62bn in loans was affected.

The $231m debt-service payment missed by Poland this week is to be extended until September, by which time it should have been formally incorporated in the rescheduling deal.

Poland, with total debts of some $30bn, faces a chronic shortage of foreign exchange, which has been exacerbated by the restrictions on food imports imposed by Western Europe in the aftermath of the Chernobyl nuclear reactor disaster, but bankers said they had yet to receive from Warsaw detailed estimates of how that would affect its trade results for this year.

The recent decision by the International Monetary Fund (IMF) to admit Poland to membership had little bearing on the rescheduling negotiations. It will probably be the end of the year before Poland starts receiving loans from the IMF and from the World Bank, which it also expects to join.

UK sets terms for action against Pretoria

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE BRITISH Government is prepared to consider further measures against South Africa, but only if there is international agreement involving the leading industrialised nations and the EEC, as well as the rest of the Commonwealth.

During a 30-minute discussion of South Africa at a Cabinet meeting yesterday, Sir Geoffrey Howe, the Foreign Secretary, emphasised the need not to rush into immediate decisions but to hold international discussions to see whether there was broad support for further action.

Senior ministers believe that in the light of the pessimistic analysis of the Commonwealth negotiators – the Eminent Persons Group – some further measures are probably inevitable later. But ministers oppose any unilateral British action that would give a trading advantage with South Africa to a competitor country such as Japan. One senior minister commented afterwards that Sir Geoffrey was putting forward "a reasonably broad path on which everyone can tread."

During heated exchanges in Parliament yesterday, Mrs Margaret Thatcher, the Prime Minister, emphasised the need for the Eminent Persons' report to be given proper consideration. She emphasised the need for further consultations not only with Commonwealth leaders and Britain's EEC partners, but also with the seven nations represented in the annual economic summit. Mrs Thatcher said Britain still believed the door must not be closed on further dialogue and negotiations with the South African Government.

Later, at a hastily arranged meeting of the Conservative backbench foreign affairs committee, Sir Geoffrey urged the 60 Members of Parliament present not to take up intransigent positions but to leave open all options while discussions continued. He was supported by virtually all the 17 MPs who spoke and there is therefore unlikely to be any significant rebellion when the House of Commons holds a full day debate on South Africa next Tuesday.

A number of MPs who spoke made clear that a majority of government backbench MPs strongly oppose economic sanctions and a motion along those lines has been signed by more than 80 members.

However, a small but vocal minority of MPs strongly support further action against South Africa, as discussed at last October's Commonwealth conference.

Many Conservative MPs believe that any action that wins international agreement from leading industrial nations will in practice, be minimal and therefore there is no need to arouse opposition now.

However, the Government faces strong pressure from Opposition parties to take action. Mr Neil Kinnock, the Labour Party leader, said the Eminent Persons' report had made clear that "extensive and intensive economic pressure by Britain and other nations which have a significant trading and commercial relationship with South Africa, is essential." He said the UK must impose strong sanctions "strictly and quickly."

For the Liberal-Social Democratic Party alliance Dr David Owen, the SDP leader, said it was time for Britain to lead Commonwealth opinion. He called for a ban on new investment and an immediate selective sanction through an international ban of intercontinental flights to and from South Africa.

Mr David Steel, the Liberal leader, warned that "if Mrs Thatcher persists in her obstinate opposition to economic measures, she will stand accused of throwing away the last chance of averting a bloodbath in South Africa."

Rolls-Royce rejects French space link

BY DAVID MARSH IN PARIS AND PETER MARSH IN LONDON

HOPES of an early sign of collaboration between France and Britain over a new generation of space launchers have receded after the rejection by Rolls-Royce, the UK engine company, of a French suggestion of co-operation over the motors needed for the vehicles.

The launchers, still on the drawing boards in both the US and Europe, would take off from ordinary runways and enter orbit by burning oxygen from the air, removing the need for huge tanks of liquid oxygen.

The British rebuff may inflame competition between London and Paris over rival space projects for which both countries are trying to win financing from European partners.

Mr Jean Sollier, assistant managing director of Snecma, the French state-owned aero-engine group, said yesterday that Rolls-Royce had rejected the idea of Franco-British collaboration on revolutionary "combined cycle" jet/rocket engines that could power space-going aircraft.

Rolls-Rc .ce, along with the British Aerospace, is studying horizontal take-off and landing (Hotol) a design for a space aircraft that might fly by the early years of next century.

Mr Sollier, who is also the new chairman of Société Européenne de Propulsion, the manufacturer of engines for the Ariane rocket, said he regretted the British decision.

An official from Britain's National Space Centre yesterday played down the significance of Rolls-Royce's action. He said that in the long term Britain would like to join forces with France on Hotol but that the time for joint action had probably not yet been reached.

Officials from Snecma and SEP, in which the former owns a 50 per cent stake, put forward the suggestion of co-operation in talks with Rolls-Royce a few months ago, Mr Sollier said.

The US over the past year has significantly increased research efforts in such technology, which might be important for civil and military purposes.

The British Government and aerospace industry have annoyed the French in recent months by stepping up efforts to win European support for Hotol. That might impede France's own attempts to win full European backing for its own project, Hermes, a manned vehicle capable of being lifted into space by a conventional rocket.

Hotol's propulsion technology is still classified as a military secret in Britain, although UK officials admit that that is largely for commercial reasons. France believes Hotol does not represent direct competition for Hermes as it is still only at the "proof of concept" phase, whereas Hermes is capable of flying by 1995-96.

Although Britain has captured attention with Hotol, France believes its own studies on "combined cycle" engines give an equal chance eventually of developing a feasible project. Mr Pierre Betin, SEP's assistant managing director in charge of technical affairs, yesterday described Britain's slight lead in the area as similar to that of a runner who starts five metres ahead in a 10,000-metre race.

Snecma and SEP are already collaborating with Volvo of Sweden and Fiat of Italy on research into combined-cycle engines. The efforts to bring Rolls-Royce into the partnership were made as part of preparations to reply to a tender launched by the European Space Agency for research contracts on the subject.

Airbus offered US collaboration deal

BY DAVID MARSH IN PARIS

McDONNELL DOUGLAS, the US aircraft builder, has offered collaboration with Airbus Industrie, the European airliner-manufacturing consortium. Although the offer is regarded with scepticism in parts of the European aerospace industry, the move might pave the way for partnership over a new generation of long-range airliners.

Officials at a meeting in Hanover yesterday of the four European governments backing Airbus confirmed the McDonnell Douglas overtures.

Although the French, West German, British and Spanish governments are in favour of Airbus's following up contacts with McDonnell Douglas, officials voiced scepticism as to whether any accord with the US manufacturer would be possible.

Executives at Aerospatiale, the French aerospace group, which is France's shareholder in Airbus, said this year that exploratory contacts about collaboration had been made with McDonnell Douglas.

In view of the competing nature of the two manufacturers' long-range airliner projects – the MD-11 for McDonnell Douglas and the A-340 for Airbus – there are doubts over whether collaboration would be feasible.

Latest McDonnell Douglas suggestions appear to focus on a possible pooling of resources for the two projects. Both manufacturers have a common interest in standing up to competition from Boeing, the leading international airliner builder, which has shown signs over the past year of increasing its dominance, despite its perennial charges of unfair commercial pressure from Airbus.

Mr Martin Gruner, state secretary at the German Economic Ministry said yesterday that discussions with McDonnell Douglas had been going on for several months. They focused on collaboration on both the A-340 and the short-to-medium-range A-330.

Both projects were agreed by Airbus shareholders at the beginning of the year. But the four countries' aerospace industries are still trying to win approval from governments to put up the estimated $2.5bn in development costs.

A statement issued after the four-nation meeting emphasised caution on the matter. It said that governments would "examine" financial support for the A-330 and A-340 only if "prospects of economic viability and commercial success" proved to be sound.

McDonnell Douglas last night took a cautious line. The company said it had "fairly regular contacts" with other companies in the business but "nothing of significance" had so far come out of discussions with Airbus.

IRI accuses Fiat

Continued from Page 1

1986, contains a clause that reads: "If the salvation of Alfa Romeo can be achieved by ceding majority control of the company, Fiat would like to be informed before any agreement is made."

IRI maintains that that proves Fiat was well aware of developments in recent months and points out that in March, the Alfa managing director and Mr Vittorio Ghidella, Fiat Auto managing director, visited Japan together to discuss a three-way venture with Nissan. "Fiat knew more than it admits and is now trying to sabotage the Ford deal, which is our preferred route," claimed the IRI official.

Fiat has proposed a formula thet would see it taking a 50 per cent stake in Alfa's Pomigliano plant near Naples, with management of the venture by Fiat. Under the Fiat plan, 200,000 cars would be produced at Pomigliano, of which 100,000 would be Lancia (a Fiat subsidiary) models and Fiat-built engines would be used for the Lancias. The other 100,000 cars would be Alfas, but also possibly with Fiat engines.

Fiat also proposed a venture at the Alfa Arese plant near Milan, where a European partner such as Audi, Saab or BMW would be brought in on a three-way plan to build 140,000 luxury cars.

IRI maintained yesterday that it preferred the Ford deal in part because Ford had offered to "reach saturation capacity" of a total of 400,000 cars at the Naples and Milan plants, while Fiat's offer was for 340,000 cars.

"Fiat is trying to dismember Alfa and protect its position in the Italian market, keeping out Ford, with which it is upset anyway since the Fiat-Ford merger talks collapsed last year," IRI commented. Fiat says exactly the opposite, promising to maintain Alfa's identity.

This week's IRI-Fiat conflict, which is overshadowed by a political dimension among Italian parties, seems likely to complicate substantially IRI's hopes for a quick solution to the Alfa issue.

Mr Romiti's disclosures – and his declaration that the Fiat offer "remains valid" – come in the wake of an earlier statement by Mr Gianni Agnelli, Fiat chairman, in which he said he would welcome Alfa's acquisition by Ford.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	F	23	73	Malta	S	24	75	Rhodes	S	25	77
Algiers	S	27	81	Edinburgh	R	12	54	Manchester	F	17	63	Rio de J'o	C	31	88
Amsterdam	S	16	61	Faro	S	28	82	Manila	S	34	93	Rome	C	21	70
Athens	S	25	77	Florence	C	21	70	Melbourne	C	13	55	Salzburg	C	10	50
Bahrain	S	35	95	Frankfurt	C	18	61	Mexico City	—	—	—	San Francisco	C	20	68
Bangkok	C	32	90	Funchal	S	24	75	Miami	C	30	86	Seoul	S	30	86
Barcelona	F	21	70	Geneva	F	14	57	Milan	R	15	59	Singapore	F	29	84
Beirut	R	21	70	Gibraltar	S	24	75	Montreal	R	21	70	Stockholm	C	20	68
Belfast	S	13	55	Glasgow	R	10	50	Moscow	S	26	79	Strasbourg	C	14	57
Belgrade	T	23	73	Guernsey	C	15	59	Munich	R	9	48	Sydney	F	15	59
Berlin	C	13	55	Helsinki	S	24	75	Nairobi	C	21	70	Taipei	C	31	88
Biarritz	C	16	61	H. Kong	C	29	84	Naples	F	22	72	Tangier	—	—	—
Bombay	F	32	90	Innsbruck	R	10	50	Nassau	—	—	—	Tel Aviv	S	26	79
Bordeaux	F	18	66	Inverness	R	11	52	New Delhi	C	39	102	Tenerife	S	25	77
Brussels	F	18	61	Islamabad	C	41	106	New York	C	31	88	Tokyo	S	25	77
Budapest	C	18	64	Istanbul	R	24	75	Nice	F	21	70	Toronto	C	20	68
B. Aires	S	12	54	Jakarta	S	32	90	Nicosia	C	30	86	Tunis	F	27	81
Cairo	S	30	86	Jersey	F	17	63	Oporto	S	24	75	Valencia	S	26	79
Cape Town	R	16	61	Jo'burg	S	18	66	Oslo	F	17	63	Venice	T	18	64
Caracas	C	28	82	Lima	C	18	66	Paris	F	15	59	Vienna	D	12	54
Casablanca	S	23	73	Lisbon	S	28	82	Peking	C	28	82	Warsaw	S	26	79
Chicago	S	30	86	London	F	17	63	Prague	C	11	52	Washington	—	—	—
Cologne	C	17	63	Los Angeles	S	24	75	Reykjavik	R	9	48	Zurich	C	10	50
Copenhagen	F	15	59	Luxembourg	C	14	57								
Corfu	S	26	79	Madrid	S	28	82								
Dallas	—	—	—	Majorca	F	24	75								
Dublin	C	17	63	Malaga	S	24	75								

Readings at mid-day yesterday.
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Sweden may alter capital gains taxation

By Kevin Done in Stockholm

SWEDEN is expected to introduce a new capital gains taxation system for transactions in shares, bonds and options from the beginning of next year.

The state-appointed committee on capital gains taxation yesterday recommended changes to simplify the present system and make tax avoidance more difficult.

The committee has proposed abandoning rule that shares must be held for at least two years to benefit from favourable tax treatment.

Under the present system, 100 per cent of the capital gain made on shares held for less than two years is taxed as part of income. After two years, only 40 per cent of the capital gain is liable for taxation.

The committee, headed by Professor Bo Sodersten, a Social Democratic member of Parliament, proposes that 50 per cent of all capital gains on shares should be liable to taxation, regardless of how long they have been held.

Mr Kjell-Olof Feldt, Finance Minister, said yesterday that the purpose of the proposed changes was "to make the taxation rules more transparent, which would in itself stimulate business and improve the functioning of the stock market."

Calculation of the capital gain that will be the basis of taxation would also be simplified.

"The overall level of taxation of shares would remain unchanged," said Mr Feldt.

The proposals have been favourably received by the stock market. "This would create a far more liquid market and would not lock in share purchases," said one broker in Stockholm. "This could compensate for the doubling of the share turnover tax.

The turnover tax is due to be raised from 1 per cent to 2 per cent from July 1 but this has prompted concern that business will be driven abroad, reducing activity in Stockholm.

Mr Feldt yesterday dismissed such fears. "We were sure that the stock market could take it, which it did," be told an international investors conference. The higher shares turnover tax had been one of the prices to be paid for moderate wage settlements.

The Government felt that share owners should submit to the same tightness demanded from wage earners or the coming wage round would risk going out of control, he said.

Despite plans for a partial liberalisation of Sweden's foreign-exchange controls, Mr Feldt ruled out any relaxation of controls on placements in bonds or short-term securities. "I do not want to throw this country into the hands of international speculators," he said. "I have seen too much of irresponsible, irrational capital movements affecting exchange rates."

Mr Sodersten said the earliest the Government could present a bill to Parliament on the capital gains changes would be November, with the new law taking effect from January 1.

Shah's daily rescued by Lonrho

Continued from Page 1

handed in to yesterday's emergency board meeting in the form of a letter from Lord Rothermere. It was not considered a serious contender.

Mr Robert Maxwell had detailed talks with Mr Shah and wanted to take over all the debts and assets of the company News (UK) and wanted Mr Shah to stay on and run the newspaper. Mr Maxwell's offer, it is believed, was worth a total of £20m. The Lonrho offer offer was easily the winner because most ot the board members saw it as a long-term commitment to making Today succed.

Mr Shah insisted that Lonrho had no further options on any News (UK) shares.

Apart from Mr Shah, two of the original shareholders have stayed on – British and Commonwealth Shipping and Ivory & Sime, the Scottish investment house. Each will put in an extra £1m to bring their total investment to £3m each.

Trusthouse Forte will no longer be a big shareholder although the company might decide to keep a small residual stake.

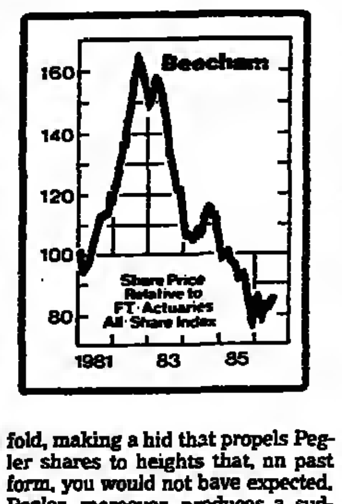
Sir Richard Storey's Portsmouth and Sunderland newspapers, it is believed favoured Lord Rothermere's bid. As part of yesterday's deal, the company has sold its 5 per cent stake in Today. The shares of Scottish Investment Trust have also been bought out.

The departing shareholders, Mr Shah said, were paid back their original investment.

THE LEX COLUMN

Take slowly with salt

First the strategy, at Beecham, then the new chairman. And only then, a finance director. Beecham under the regency of Lor. Keith has yet to say or do the things that will really convince doubters that the future has been properly secured. To be sure, many of the right things are being said: Beecham is to think more frequently, even consistently, about the overall direction it is taking, it is to sell off some of its less central assets, and it will raise the rate at which it invests in pharmaceutical development. It is still not clear that Beecham has the prescription which can reverse four years of underperformance.



The figures for Beecham's traumatic year were, in all conscience reassuring, and not unexpected by readers of the Sunday papers over recent weeks. It is progress for the company to realise that pre-tax profit growth of £314m increase in turnover, and that 0.7 per cent is not the going rate of increase in earnings per share. Last year, no doubt, they would have been presented in a rosier light, as an advance of £25m, spoilt only by the adverse impact of currency.

The list of disposals from the fringes of the Beecham portfolio is well-chosen to reinforce the impression that Beecham will in future have its eye glued to the ball: home improvements, a recently acquired cosmetics business in the US, and the Findlater spirits agency are all to go. Although the funds raised are not significant by comparison with Beecham's market capitalisation, it does no harm to demonstrate firmness: if Beecham is truly serious about concentrating its energies, a few other things might yet be put on the market.

What has been achieved, beyond much doubt, is the removal of the sale notice from the group itself, and with it some of the bid premium. If Beecham's earnings now grow at its target rate of 15 per cent, it is likely to be one of the slower growing members of its sector; but at 393p the prospective multiple of about 15 offers no discount.

Tomkins/Pegler

Suppose that you are managing a fund that has been sitting on a tidy parcel of shares in Pegler Hattersley. The share price has been going nowhere, like profits, for years. Suddenly one of the pack of mini-conglomerators descends on the fold, making a bid that propels Pegler shares to heights that, on past form, you would not bave expected. Pegler, moreover, produces a sudden leap in profits just when it comes in useful to defend the bid. What do you do with your shares?

There is no question that the offer from F.H. Tomkins represents a significant bid premium; equally, there is no concealing the fact that acceptance would imply very considerable dilution for Pegler shareholders. Only if you believe that Tomkins can offer substantially better management of the company does it make sense to accept. Otherwise, you have a parcel which cosists in a much reduced share of Pegler, plus the modest bunch of Tomkins businesses and the management skills of Mr Greg Hutchings. Since Pegler contributes most of the resulting group, however, at least the risks are limited.

Premier

The collapse in the tanker business after the 1973 oil price explosion caused the break-up of Burmah Oil's first attempt at building a North Sea oil company. Now a fall in oil prices bas put paid to the second effort. This time around, the Bank of England has not been called in. Burmah has been extremely swift in cutting its losses, particularly since it was only last year that it decided the time had come to gear up its dwindling E and P operations.

That same rapidly depleting cash flow will be very useful for Premier Consolidated Oilfields as it prepares to meet its share of the costs of developing the Wytch Farm oilfield. The buyers of British Gas's Wytch Farm interest have been innovative in their methods of meeting the problem. Goal squeezed in an emergency rights issue just before that window closed, in London, for the independent oil sector. Clyde had recourse to the possibly less cynical Australian market. Carless revealed on Wednesday that it had found an investment trust to liquidate. That leaves only Tricentrol of the fearless five. That company has already seen one refinancing attempt dissolve, but then its problems are not limited to Dorset.

Billingsgate

Somehow, it just had to be the arch-trader Mr Ephraim Margulies who chose the creation of a new telephonic market as a means of debt reduction. Not that the concept itself is novel, but other schemes for securitisation of property await changes in the UK legal system or the London stock exchange rules for lift off. Goldman Sachs has taken a pragmatic attitude and settled on a Luxembourg listing for the preferred shares in Billingsgate City Securities.

Goldman itself is increasingly anxious to get hold of the right site to accommodate its post Big Bang team. Not much consolation, in the circumstances, that if it should get stuck with the Billingsgate shares then in only another 15 years Goldman would end up with 30 per cent of the freehold. In fact there does appear to be genuine interest in the preference shares, not least from Samuel Montagu, lessee of what is to be henceforth known as Montagu House. For Samuel Montagu that would represent a fine hedge against future rent reviews, but nothing more, since any lessee is barred from voting his shares.

The gross yield on the shares of 5.9 per cent represents a small premium on the 8.3 per cent that open market valuation suggests a single buyer could earn from the property. But the stock may still attract small funds which rarely obtain much more than 5 per cent yield from the City properties that they can afford in non-unitised form. If this sort of investment goes live in a big way then there are some interesting arbitrage possibilities for the larger players. Berisford, for its part, seems prepared to securitise its entire property book. Redeemable Participating Sugar Bonds, anyone?

SECTION III

FINANCIAL TIMES SURVEY

BELGIUM

Belgium may have found a semblance of political stability but the key problem of gearing up the economy to consistent competitiveness remains. The Government believes it is making a major contribution by reducing expenditure

Tough line on constraint

By Paul Cheeseright

The Government of Wilfried Martens faced immediate union demonstrations when it brought in spending cuts

GOVERNMENT RETURNED to Belgium three weeks ago after an absence of about a year. Mr Wilfried Martens, the Prime Minister, was on his feet in Parliament pledging "a daily fight for the exact and honest execution of the budget."

During those 12 months Belgians watched paralysis creep over the fifth Martens government. They saw it riven by dispute over who was responsible for the handling of the Heysel Stadium tragedy—when 38 football supporters died—and the organisation of education.

They accepted with little surprise the triumphant return of the ruling coalition in e general election. They followed the leisurely formation of the sixth Martens government. They celebrated Christmas. And nothing much happened for another five months.

The Government was bidding its time, administering without a budget. What it had in mind for 1986 was not something which would necessarily have been appealing to the electors of 1985. It was more concerned to have parliament vote special powers to run the economy by decree. That took three months. The powers came and then the Government disappeered altogether. Senior ministers went into conclave in a Brussels suburb for what turned out to be more than six weeks of bargaining.

The result was a budget for two years — e pered-down budget representing the most strenuous attempt by e Belgian government in recent years to bring its own finances under control. It had settled the shape of the political debate for the next few months.

At parliamentary level, the results have been predictable. Last October, the two Christian Democrat parties and the two Liberal parties—one party of each for the Dutch speakers, one of each for the French speakers—were returned to power in a general election. They won 115 seats in the 212-seat Chamber of Deputies, with the Socialists as the main opposition with 67 seats.

The election was won on the basis of continued economic restraint. What the Government proposed for its 1986-87 budget was therefore wholly in line with that. When it went to Parliament for e vote of confidence on the package, acceptance was a foregone conclusion.

But that is the simple part of the debate. Outside Parliament all the elements and contradictory forces which make Belgium one of the most governed but last governeble countries in Europe are being caught in a political swirl.

Take the unions first. Even before the package had been formally presented, strikes in the public services had started, often spontaneously, forcing union leaders to take a tough line to keep control of their troops.

What all the union groupings have is a desire to keep intact the panoply of the welfare state, to maintain the social demi-paradise constructed in the days when expansion was the norm and there seemed to be money for everything. At another level, those in the public corporations and state services saw their conditions of employment under threat. Here was a government with the temerity to chip away bits of social security, to make it clear that, for example, the railways must balance their books.

Yet this is where the divisions start as well. Attempts to spread strikes into the private sector had only isoleted success. Partly this reflected the jaundiced view many in the private sector take of the public sector—feather-bedded, inefficient, arrogant. There is the usual litany of complaint ebout officialdom from a people who spend a good deal of energy trying to circumvent authority.

More tangibly there was little desire to put jobs at risk in the private sector against the background of unemployment running at more than 12 per cent and economic growth stuttering at 1 to 2 per cent.

With the working population two-thirds unionised, the trade union chiefs could theoretically put the Government out by overturning the parliamentary majority on the streets. It was unlikely, in practical terms and the coalition leaders knew that as they put their heads above the parapet and started a new propaganda and consultation blitz to break resistance to new restraints.

It was unlikely because the unions reflect the fissures of Belgian society—French and Dutch, Catholic and secular, left and right. The main union groupings have direct links to the political parties. The Socialist unions are stronger in the French-speaking south of Wallonia. The Christian unions are stronger in the Dutch-speaking north of Flanders. The Socialists seek to oppose the Government at every turn and the christian unions are almost part of the Government.

If the Government can stay friends with its friends, it remains safe. Certainly the Christian union chiefs showed little appetite for a prolonged struggle. "Negotiate, negotiete," was their cry. Of course, said the Government, provided the BFrs 195bn of budget cuts is respected at the end of the day, and provided the sectoral sub-totals are respected as well. The talkiog started. The Socialist unions were left on their own.

With a litle bit of help from the Government, the union movement had dissipated its strength. The divide-and-rule tactics of the fifth Martens government seemed to have started to work again for the sixth. The strikes ebbed. First round to Martens.

There are further snags though and this gives the political debate yet another level. Economic restraint and the withdrawal of some government spending hits pockets first and sensibilities second. In the first round of the argument, the question was all about pockets.

But sensibilities are being touched by cuts in the education system, and this is the second round, likely to run into the autumn. At issue are not just reductions in the building programme but systems of teaching and the freedom, with official funding, to prectice them.

This opens up the Catholic-secular fissure, and because the Cathlic schools in Wallonia feel more under threat than the Catholic schools in Flanders, it emphasises the communal divide. Teachers are up in arms, parents are agitating. What the Government sees as budgetary realities (Belgium, it suggests, spends more per capita on education than its European partners) hit the delicate mechanism of social relations with a thud.

It is at this point that the budget package throws up the most significant quirk of Belgian politics. Governments might be voted out on economic policy, as anywhere else; Belgians indeed are more careful of their pockets than most; but they collapse from within on communal issues often of arcane obscurity to the outsider.

One of the key reasons for the stability of the fifth Martens government was the pact between the coalition parties to treat economic questions as the priority. Issues related to bow the Dutch-speaking and French-speaking parts of the country rubbed along in a semi-federal state would be put on the back-burner.

To find its way through the next two or three years, the sixth Martens government is going to be forced to edopt the same epproach. Thet, in its turn, means an effort to play down the emotional aspects of what will be a lengthy educetion debate and to play up the financial aspects.

As it is, there is murmering in the opposition that the spending cuts fall more heavily on Wallonia than on Flanders. Further, the communal tinderbox might beve a light thrown into it when the Council of State, the constitutional watchdogs, adjudicates on the linguistic capacity of mayors in communes along the language border which formally splits the country.

Such banana skins are before the feet of any Belgian government. The present coalition would indeed like to see more power devolved to the regions, precisely to ease the danger of communal friction. Bot it bas no mandate for constitutional reform during the current parliament.

Its *raison d'être* rather — what voters wanted last October —is to get the economy right. What it thus wants most over the next few months is e continued revival in the European economy. That would help offset the effects of its own budget cuts, most importantly in the provision of jobs.

It would also nentralise to some extent the relative rise in Belgian costs against those of the Netherlands and Germany. There will be another surplus this year on the current account of the balance of payments, helping to maintain the confidence that has brought an inflow of capital.

Soch confidence could evaporate at any time if the Government slips on the communal banana skin. But as June 1985 to May 1986 showed, the country can trundle on without a government.

CONTENTS

Government Debt: Deficit under attack
Industrial Relations: Synthetic anguish — Page 2

Tax Policy: Relief pleas
De Clercq Funds: Handsome returns
Steel and Coal: Cry for help — Page 3

Regional Policy: Cost of divide
Technology Promotion: Aid priorities — Page 4

Private Sector: Deep worries under good omens
Profiles: Stella Artois
Telindus
Van Hool — Page 5

Food: Richness of fare
Business Guide
Useful Facts and Figures — Page 6

Government Debt

Deficit under attack

HERE IS the dream. "Healthy and balanced public finances are the essential base of a promising economic future. They will strengthen our balanca of paymeots, already in surplus. They will allow a new fall in interest rates. They will encouraga company investment and individual creative activity, which in their turn encourage the creation of new and stable jobs."

That was Mr Witfried Martens, the Prime Minister, in parliament last month as he introduced another economic package, this time attacking the public deficit. Opposition politicians were quick to point out that this was the fifth in five years.

"I am not persuaded things ore going to change," said Mr Guy Spitaels, the French-speaking Socialist leader.

Mr Martens has been Prime Minister apart from a break of eight montba since April 1979, initially at the belm of ragbag coalitions which were short on policy aod long on manoeuvre. From 1983 the touch has been surer. But in absolute terms the deficit has continued to rise.

The net financing need of the authorities as a percentage of gross national product, reached a peak at 14.5 in 1981. Sioce then it bas declined gently—and only gently because the Government has been pushing back targets, which reached 11 per cent last year.

The oim incorporated in the May package is to reduce it to 8 per cent by the end of 1987. Tbat would still leave a net financing need of BFr 410bn, more manageable but still high by European standards.

Even then the role of the Government in the economy will remain overweening. On the assumption that, as the programme of government cuts goes through the real savings will not be BFr 195bn as is officially hoped but nearer to BFr 127bn, Kredietbank calculates that government spending as a percentage of GNP will move from 60.1 per cent last year to 56.4 per cent in 1987.

Tbe Immediate effects will be considerable. The Government is equivocal about the effects on uoemployment, which remains in the electoral eye the major economic issue. On the one hand, it suggests that the effect will be neutral: losses of jobs caused by the cuts will be offset by the stimulus the economy will receive from the fall in oil prices and the decline in the rate of the dollar.

On the other hand, it suggests that unemployment caused by cuts will be mopped up in 1988.

Generale da Banque has worked out on its econometric model that the jobless roll could swell by 30,000 and that this is the short-term price for what is otherwise a beneficial package. It also suggests that tbe growth of the gross national product could slow to 1.3 per cent. Tbe Government scenario is for volume growth in 1987 of 2.2 per cent.

The two points run together. The Governmant's employment roll will be redoced — it is already employing port-time and temporary workers in considerable numbers — whila the reduced level of government spending oo goods and services could hit some private sector companies.

If the Government sees the plan through (and there are sceptics wbo doubt its obility to do that and wbo complain about the vagueness of some of the proposals) then over the longer term the results will be far-reaching.

This is not only a question of cutting subsidies, but of bringing the major public corporations back into the commercial economy. The post and telecommunications anthority is a case in point. It will face a tax for the privilege of its monopoly. Beyond that the Government has opened up the possibility of bringing in private capital. Further, it wants to associate privata capital with public works schemes.

Tbe other side of this is the start of the withdrawal of the Government from Its over-active role ln the economy. There is litle Thatcherite ideology in all this: officials explain that if a thing ls working it will be left alone. What ideological push there is for "privatisation" comes from tha Liberal element in the coalition. The Christian Democrat majority is wholly pragmatic.

And being pragmatic in the Belgian Government context is the aimple realisation that it could oot afford to carry on the way it bas. The days of throwing money around may not bave finished, but the Government bas accepted the writing on the wall. This is wbat distinguishes tha May package from its predecessors.

In the past the Government may beve tried to check spending— not very successfully as the figures show—but it bas always cast around, too, for means of increasing its own revenue. For the first time for as long as anyone can remember, the Government bas ected almost solely on expenditure and not on revenue.

There is a qualification bere though. The Government is cutting into Its contributions to the lower tiers of administration, the regions and the communes. But at this staga it is not clear whether they in turn will cut their spending or try to keep at present levels by raising more funds locally.

The attack on expenditure, however, is at once on immediate spending—blocking major military equipment spending and holding public investment in 1986 and 1987 to 65 per cent of the 1985 level, for example—and on structural spending.

This is another factor which marks off the May package from its predecessors. The closely woven febric of social security and education spending has a pair of scissors round the edges.

It took 47 days of political negotiation among senior members of the Government to settle the economies, probing the nooks and crannies of spending. In the package there is something to annoy everybody but not, the politicians bope, to annoy them too much. For, at the end of the day, this was a political as much as an economic exercise.

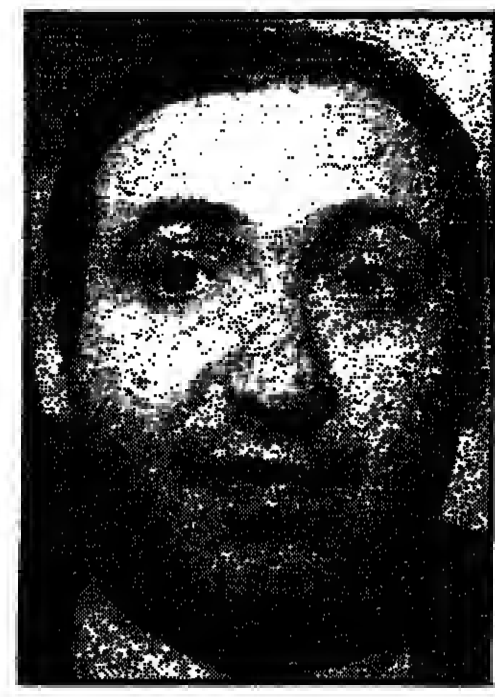
As one senior official put it: "In every measure there was a political equilibrium — what ministers think the man in the street will accept."

Paul Cheeseright

Earnings

	Gross payment of BFrs 1.5m		Gross payment of BFrs 3bn		Gross payment of BFrs 4.5bn	
	Net earnings as percentage of:		Net earnings as percentage of:		Net earnings as percentage of:	
	Gross payment	Employers' cost	Gross payment	Employers' cost	Gross payment	Employers' cost
Belgium	56.90	45.28	45.37	36.10	38.81	30.24
Germany	78.21	69.25	68.32	63.73	60.36	57.59
Netherlands	66.56	58.79	53.30	49.94	45.53	43.58
UK	73.41	66.47	63.71	57.68	56.24	50.92
Italy	74.39	55.14	67.37	53.97	62.74	52.32
France	81.97	65.56	73.88	57.53	68.73	55.83
US	81.55	76.11	71.77	64.98	65.92	61.93

Source: Arthur Andersen, January 1986



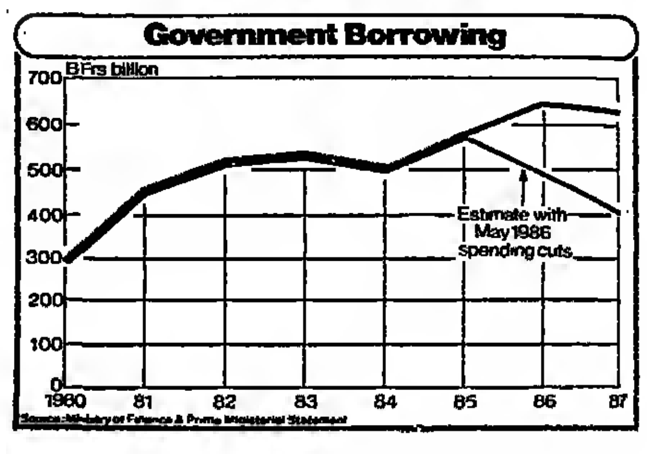
THE Government is about to launch into a lengthy market operation to save the interest on the public debt. It is budgeting to save BFr 30bn by a process of consolidating and converting loans so that it can gain the benefit of the lower trend in interest rates.

But there is no question of not meeting contractual obligations and everything it does will conform strictly to the mechanisms of the market, it says.

The high degree of liquidity on the domestic market has meant that it has been able to meet its financing needs from local sources. While it has been on the international markets, this has largely been to consolidate existing currency debt. Thus, foreign debt, which a decade ago was virtually non-existent, has stabilised at just over the equivalent of BFr 1000bn.

Current official thinking is that reimbursement will start in 1987.

Jean Gol, Liberal Minister of Justice (left) and Michel Hansenne, Christian Democrat Minister of Employment (right), are senior French-speaking politicians—the first stressing the virtues of free enterprise, the second seeking more flexible patterns of work organisation



Industrial Relations

Synthetic anguish on wage rises

MUCH FURIOUS activity will be observed in coming months as employers and unions meet to negotiate a wage increase framework agreement for the next two years.

A good deal of the fury will be synthetic as both sides perform time-honoured rituals. Tbe employers will claim that competitive edge has been lost as unit labour costs hava increased faster than those of trading competitors. The unions —Christian and Socialist alike — will argue that they have carried enough of the burden of five years of economic restraint.

But the anguish will be not only synthetic but academic as well, for if the two sides cannot agree the Government will step in and decide for them. The Government'a norm is that Belgian costs must not rise any quicker than those of its aeven principal trading partners.

That norm would come into play wben Belgium's partly indexed system of wage increases lets costs run ahead. Thia Idea was devised to counter tha effects of a return to wage indexation after a period of freeze in the first years of the fifth Martens Government.

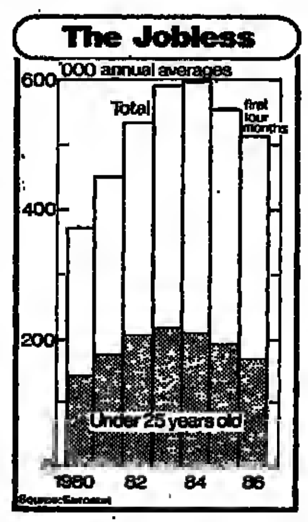
Hitherto indexation has only been partial because the Government, ruling by special decree, made sure this year and last that the first indexed rise did not take effect. Tha result of that on top of the freeze bas been a fall in real wages.

This time round the inflation rate is much lower and on the indexed system there is acarcely room for any rise at all. This is ona of the rare cases where indexation works to keep down costs rather than push them up.

The pendulum has therefore been swinging against the uniona, basically powerful because two-thirds of the working population are members but weakened by their own divisions. Mounting unemployment, which stabilised only last year, has acted as o further constraint on the unions' power.

Although employer versus employee rhetoric sounds antiquated the two sldes are managing to reconcile their interests in a way which begins to address some of the deaper difficulties of the Belgian economy, which relate to the need to find a balance between labour protection and flexible work organisations.

Companies have long complained that the Belgian system is ao rigid it frightens off foreign investors and restricts their room for manoeuvre in offering new jobs, whereas the unions guard jealously the advances in social legislation of the 1960s that provide aecurity of employment.



To achieve in the economy the trick is to create flexibility without wholesale reregulation. Keep the protection by maintaining workers' legal rights on, for example, health and safety but allow greater freedom in respect of, say, weekend working and shift work.

Employers and unions meet at the National Council of Labour and they have just reached a new agreement which will result in legislation. Mr Michael Hansenne, the Employment Minister, will introduce lt soon.

Tha purpose as Mr Hansenne describes it is to introduce new systems of work organisation at company level with the aim of adapting or extending the time that productive capacity is used. Thus it will becoma possibla to scrap tha ban on Sunday or public holiday working or engage ln night working.

But there are built-in conditions. Where working practices change there have to be agreements between employers and unions at sectoral or plant level and the agreements must embrace all the organisations represented in a company.

Not only that. There is a crucial clause in the agreement which says that the new system must have a "positive effect" on employment. Here then are two strands antwined — the Government and union priority of reducing the number of jobless, and the corporate need to loosen up a system in danger of ossification.

Although unemployment bas come down from its 1984 peak, it is still running at 12 per cent of the labour force. Tbe proportion of unemployed under 25 years eld hovers around a third, bnt what is worrying for the Government is that the number of long duration uncmployed is going np.

It sees the best chances of new jobs in small and medium sized companies, so in its latest economic package lt announced that companies taking on young unemployed would not have to meet the full level of social security contributions. It is also prepared to belp companies finance new investment in machinery if they take on long-term unemployed.

Trading off these factors has been o feature of the approach to helping Belgian companies to win back the competitiveness they lost in the 1975-80 period. When in 1982 the fifth Martens Government brought in wage restraint as a backing for o devaluation package, it was linked to the creation of jobs.

A formula was adopted which involved holding back wagea in return for a cut in the number of hours worked and o marginal increase in jobs. Where companies did not provide additional jobs they met o tax penalty.

There was a further element. Within the scope of special powers to run the economy by decree, the so-called Hansenne egreements emerged.

These agreements were enacted into law. Broadly they permitted companies to change the nnmber of bours worked and the way they were worked in return for the employment, even if only part-time, of more people.

For example, the glass company Glaverbel introduced et one of its plants a new system of ehift working, including Sundays, so that there was a 6.7 per cenl increase in the number of jobs availahle.

There have been over 50 of these Hansenne agreements, signed by companies like Duracell, Etep, Philips, Siemens, Rayechem, Barco, Colgate-Palmolive, Volvo and Monroe Belgium.

The planned new logislation is a direct consequence of those agreements, seeking to spread generally what appears to have worked particularly. It means only a few jobs bere and a few jobs there. The total number employed in the plants covered by Hansenne agreements is ebout 18,000. The oew jobs created in them number up to 950.

Belgium, is in fact, institutionalising changes in working organisation which bring about reduced working bours to a greater extent than most other European countries. Employers resist the sweeping introduction of a mandatory maximum number of working hours because they do not want to employ more people to do the same amount of work as a smaller number.

Spreading the available work around to more people can work only if it is linked to a greater freedom of working practice.

But this all comes back again to the question of wage levels. After years of pay restraint the unlons are naturally boping for increases especlally as they see a return to proßlability by the employing companies.

The Government will try to ensure that within the collective bargaining at least some of the funds companies may be prepared to set aside for higber wages will be spent instead on job creation. This, officials explained, is one of the main areas in developing employmeot opportunities for the young jobless.

Paul Cheeseright

Tax Policy

Burden relief depends on budget solutions

"WHAT ARE our handicaps?" asked Mr Jacques de Staercke, director of Fabrimetal, the metal and engineering industry federation. "First of all, taxes and social security contributions are too high. Consequently, companies which want to pay in Belgium a 'competitive' net salary to qualified personnel must meet a salary cost which is a multiple of what is paid abroad." That was in April this year.

The second complaint, made this time two years ago by Mr Jacques Groothaert, then chairman of Generale de Banque, the country's largest commercial bank: "The 5,000 management staff who are the vital sinews of our business are suffering acutely from social security and tax deductions and more and more are denied the fruits of their efforts.

"Certain international specialists are becoming literally 'unpayable' in Belgium. Inevitably, in the face of this, we have to think of transferring out of the country certain types of business where the international competition is intense."

For years companies have been hammering away at the difference between what an employee receives and what is necessary to pay to ensure an adequate net salary. On the side of the employee, the tax burden has been onerous, something to circumvent wherever possible. Hence the existence of a flourishing black economy.

The Government has inaugurated a modest programme of tax reform — announced in March 1985—and starting to come into effect on 1986 earnings. This involves immediate small cuts in direct taxation and a movement towards indexation of tax schedules to avoid the leaps in taxes that occur as revenue rises to keep pace with inflation and attracts a progressively higher rate.

This affects what might loosely be called household income. Investment income is separated from the overall tax assessment and subject to a one-off 25 per cent withholding tax.

The Government sees personal tax changes as the next stage in economic recovery after improving corporate finances. But sweeping change depends on the authorities sorting out their own budget problems. Studies by the Organisation of Economic Co-operation and Development have shown that tax and compulsory deductions represent more than 45 per cent of GNP, compared with an OECD average of just under 37 per cent.

Surveys by Arthur Andersen have shown that the Belgian employee is receiving a smaller percentage of gross earnings in take-home pay than in any of the countries the company surveyed.

On gross earnings of BFr 1.8m, a married man with two children is receiving net pay of only 56.9 per cent of the total against 81.55 per cent in the US. The take-home pay becomes relatively less the more that is earned. In the higher brackets this is set off to some extent by fringe benefits, and the Belgian social security system is much more extensive than the American.

Here lies the rub for the companies. Social security contributions are worked out as a percentage of gross wages—and the wages embrace overtime, holiday pay and bonuses. Employers are paying 32.4 per cent of a gross wage for manual workers and 26.4 per cent for a clerical worker in social security, covering health, disability, superannuation, accident insurance and so on. The employee's contribution is just over 12 per cent.

So for an employee to receive BFr 88 before tax, an employer has to pay out more than BFr 132. It is this that is behind the complaints and the caution about taking on new full-time employees.

Officials say that the gap between wage costs and net pay has stabilised. But it seems doubtful if it can be appreciably narrowed in the near future. The reasons for this are partly historical.

The social security system was conceived on the basis of a bargain between employers and the unions, and on the notion of those in work contributing for themselves an insurance system—against unemployment, sickness and so on. But this bargain has been gradually extended.

It has extended to those who have not contributed—the young unemployed for example—and it has been subject to greater financial strain because of the high number of jobless. There are fewer contributions but more to pay out.

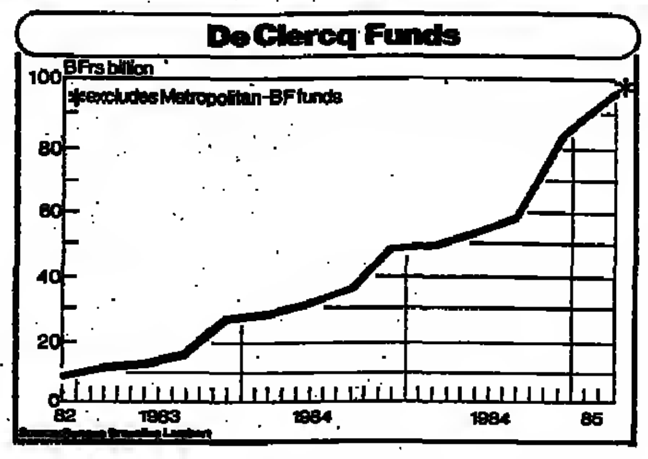
The system is financed by an account held apart from the main government finances, but is nevertheless topped up by the Government so that social security in a broad form represents the biggest single charge on the official budget.

Short of a surge in the economy, where everybody goes back to work and the immediate demands on the system are less with more contributions to pay for them, the Government can only tinker with the system. Politically and socially it would be impossible suddenly to start withdrawing benefits. It can only step in to stop permanent growth of expenditure — by changing pension entitlement ages, for example.

Even then, the demographic shifts in the population mean that the demand for pensions is going to increase. The average age of the population is going up.

In the light of all this, Belgium seems set to remain a high wage-cost economy, attractive to employers because of other factors — geographical position, easy movement of funds, quick repatriation of dividends. As estate agents who monitor the comings and goings of companies note, investment takes place in spite of the labour charges.

Paul Cheeseright



The De Clercq Funds, main vehicle for Bourse investors' tax-cut schemes, have also yielded handsome returns

Concessions for hard-pressed

THE BEST concession the Belgian Government has offered its hard-taxed citizens this decade has been the possibility of reducing taxable income through investment on the Bourse in domestic stocks.

What the Government also offered, on a scale it could not have anticipated, was a handsome capital gain for the 500,000 investors who took part.

Anybody prepared to hold Belgian stocks for five years could reduce taxable income by BFr 40,000 plus another BFr 10,000 for each other dependent. In 1982 the scheme was slow to catch on, but a year later it took off.

More than three-quarters of the investment took place through the so-called De Clercq Funds, specially designated and run by the major banks, saving institutions and stockbrokers. The three biggest are BBL Fonds, Fivest and Interselex Belga, followed by ES-Fonds and then, a long way behind in size, Belfund and Fonds-Hermes. This year a seventh started, Metropolitan-BF Fonds.

Between the end of 1982 and April 1986 the value of the De Clercq Fund assets multiplied more than 10 times to BFr 96.1bn. Any investment made in 1982 had doubled in value by the end of 1985. Later investments have seen capital gains to the end of 1985 of up to 60 per cent.

The effects have been profound. Share ownership is more widely spread and the idea of having a permanent, if more muted, stimulus for the market has been accepted. The Government is committed to introducing a private pension scheme under which amounts invested in stocks to build up a pension can be tax deductible.

This would replace the scheme which prompted the rise of the De Clercq Funds. That stopped working for new investments at the end of last year, although the first stocks bought to attract the tax concessions cannot be sold until 1987. In spite of government plans to reduce personal taxation, the pension savings scheme looks likely to be the most valuable concession for the next year or two.

Certainly the earlier concession paid off for the Government. It channelled funds into the market which found their way into the corporate sector, enabling companies to engage in more equity financing instead of bank borrowing. That in turn left a bigger space in the market for government borrowing.

The creation of that space kept interest rates lower than they might otherwise have been. High liquidity on the market helped the Government to fund its mounting debt.

Paul Cheeseright

Steel and Coal

Cry for help in mining crisis

WANTED: Senior executives to act as company physicians. Belgians may apply but it would be preferable if they were working abroad. Needed to devise a plan to stop coal mines losing too much money. Basic requirement is to be seen to be neutral. Must be able to negotiate dense political thickets.

Nothing as crude as an advertisement worded like this has appeared, of course, but the Belgian Government is looking for help to get off the nasty hook on which it is impaled—nasty because the coal mines are losing more money than the subsidy available to sustain them.

It does not look as if more subsidy can be arranged without a heated inter-communal dispute—the kind of row that imperils a Government.

The Government wants a consultant to do for the four mines of Kempense Steenkolenmijnen (KS) in Limbourg, the economically hard-hit province in eastern Flanders, what Mr Jean Gandois, a French consultant, did for the troubled steel plants of Cockerill Sambre in Wallonia.

In 1983 Mr Gandois produced a restructuring plan for Cockerill Sambre which involved plant closures and new investment. Execution of the plan was late in starting, which continues to have financial effects; but it is being followed through.

Out of the Cockerill Sambre affair, which dominated politics for long periods in the fifth Martens Government, came the origins of the squabble which could develop KS.

For some time before the arrival of Mr Gandois, Flemish politicians had been emphasising that no more Flemish money could possibly be put into the bottomless pit called Cockerill Sambre, so to bail out the company, the then Government had to devise a characteristically Belgian scheme that would meet the immediate need at Cockerill Sambre while helping Flanders.

The answer was a complicated regional financing scheme. Broadly, it said that the revenue from death duties would go from the central government in Brussels to the regions to finance the future needs of the five so-called national industrial sectors—steel, coal, shipbuilding, glass and textiles.

This was wrapped up in a law passed in 1984. But before the regions could take over the financing, the books had to be cleaned up. Cockerill Sambre, nearly wholly-owned by the state anyway, was financially restructured. The coal mines, meanwhile, had already been given a BFr 31.9bn subsidy fund in 1982.

The problem now is that the BFr 31.9bn is nearly exhausted and the Flemish authorities should take over the subsidising. But Flanders does not have the money to pay the bills. The result is that some of the Flemish politicians who were most enthusiastic about the regional financing are now searching for ways to bring KS back into the ambit of national financing.

No chance, say the Walloon politicians in effect. If Cockerill Sambre stays regional in financing so does KS.

Here, then, is the root cause of another regional dispute. In its search for an outside consultant the Government buys time, because no decisions can be taken until the future of KS can be mapped out.

Beyond that, an outside consultant's report will be neutral between the regional interests and, as importantly, between the needs of a Government on the attack against subsidies and those of trade unions intent on preserving jobs in an area where unemployment is twice the national average.

But the sums are tricky. Since 1967, KS has received about BFr 100bn in subsidies. In the first quarter of this year it was losing BFr 1bn a month. The budgeted loss for 1986 is around BFr 13bn, rising to BFr 13.5bn in 1987. Subsidies last year were BFr 8bn. The total amount that Flanders can expect to receive from death duties runs at up to BFr 7bn a year.

Early this year Mr Firmin Aerts, Secretary of State for energy and himself a Limbourg man, said that more than BFr 6bn would be needed this year on top of the specifically Flemish financing.

More recently, unused credits of BFr 2.5bn at the Société Nationale de Crédit à l'Industrie, have somewhat unexpectedly been found, and the Government is considering whether it can recycle some of its shareholdings in industry and use the proceeds for KS.

The Government wants the mines to stay in operation and it wants the losses cut. But to do that there will have to be some tough restructuring. The unions want employment kept at 20,000, even though only 18,000 are now employed in the mines.

While the polemic ebbs and flows Cockerill Sambre has kept quiet about its financial needs. Its workforce is less than one-third of its 1974 level at 15,646, and more cuts seem likely after a 1985 net loss of BFr 6bn and in the face of a projected loss of BFr 4.5bn.

Paul Cheeseright

Regional Policy

High cost of cultural divide

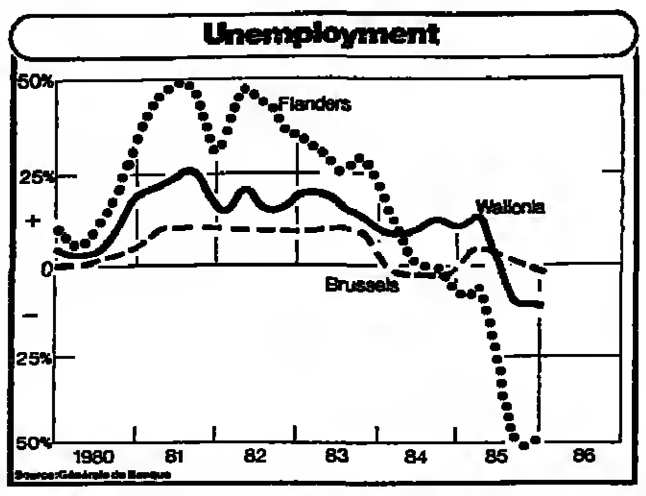
ASKED recently why Flemish-speaking Flanders and French-speaking Wallonia should ever have united to form a single sovereign state, a Belgian commentator noted unequivocably "It was an historical accident."

Language and cultural differences have been a feature of the Belgian state throughout its history of more than 150 years, yet political structures acknowledging the two regional identities have been developed only in the last few years. And the trend towards further devolution of power from Brussels seems set to continue.

The extraordinary bitterness of relations between the two ethnic groups in the 1960s and 1970s caused largely by the post war political, cultural and economic advances of Flanders relative to Wallonia provides the backdrop to constitutional changes agreed in 1980

Running parallel with central Government, provision was made for Communities (empowered to handle cultural matters such as the use of language) and Regions, which have potentially much wider powers covering, for example, planning, housing, the environment, and many aspects of economic policy. (In Flanders the Community and the Region were almost immediately merged into one institution.) The country is further divided into administrative units called Provinces and Communes.

"In principle, we are a federalist state," says Mr Jaak Stokx of the Kredietbank. "But in effect we are still quite centralised." Central Government still controls most of the purse strings and retains responsibility for arguably the most important areas of economic policy—in spite of attempts by the regions to achieve greater autonomy.



The Government is committed to constitutional reform but is stymied in the current legislature. Most observers feel further decentralisation will be inevitable.

The new system of Government has reduced tension across the cultural divide but Belgium's cumbersome political structures almost certainly impose an additional cost on the state. The new regional institutions, the two-tier education system and the requirement that all government business should be conducted simultaneously in Flemish and French represent an administrative burden that Mr Hernandes Lopez, chief economist of Générale de Banque, says is "much higher than in other industrialised countries."

An OECD survey, for example, shows that Belgium's public administration costs as a proportion of GDP are seven percentage points higher than the average of a group of leading western nations.

"It is impossible to prove, but my strong guess is that besides the higher costs that small countries have to bear by comparison with larger ones (which can achieve economies of scale) the difference can be explained by regionalisation. One consequence has been that the extra costs have contributed to the increased public debt with all that implies for the level of interest rates and the Belgian franc," Mr Lopez says.

Resources in Belgium are not always efficiently allocated, he says, but he cites the way in which central government attempts to be even handed between north and south to the extent of matching subsidies between regions regardless of whether they are needed.

He is equally keen to emphasise the benefits of regionalisation, however. He says the country would be ungovernable without separate administrations for Flanders and Wallonia and cultural aspirations bottled up for years have now been realised. The new structures have unleashed the energy behind valuable local initiatives such as Flanders Technology and Operation Athena.

Regional government may have created an outlet for regional and cultural identities, but if anything it has probably exacerbated rivalry between the north and south. In the 19th century more than half Belgium's wealth was produced in the Walloon region whereas Flanders was a largely impoverished and backward agricultural area.

Since the Second World War, however, Flanders, with fewer large, traditional and declining industries has gradually overtaken its neighbour and also grabbed the lion's share of foreign investment.

This has led to talk of a "two speed" economy—a notion which Flemish citizens generally like to encourage, emphasising their better strike and employment record, faster improving industrial productivity, and 70 per cent contribution to the country's exports. But Walloon politicians increasingly resent this situation.

Though not averse to a little Walloon-bashing himself, Mr Gastona Geens, the Christian Democrat who heads the Flemish executive, maintains that "it is not the intention of Flanders that the discrepancy of economic evolution should continue. Our products go to Wallonia. If things go badly there we should not be happy."

The message from the Walloon executive, headed by the young charismatic Mr Melchior Wathelet, is that the "process of adjusting" an economy heavily dependent on old industries such as steel and railway engineering is well under way. The region's new emphasis on technology businesses, initiated by Mr Wathelet in 1982, and its concentration on joint ventures with foreign companies is paying off handsomely.

Wallonia indeed has just launched a concerted campaign to counter what it sees as the black propaganda disseminated by the Flemish and too often accepted uncritically by journalists and other commentators.

Among a flurry of statistics which the executive has been pumping out figures show that roughly the same number of people are employed in traditional industries in Flanders as in Wallonia—about 30 per cent of the workforce. Between 1974 and 1984 those employed in such businesses fell by 10 per cent in Wallonia and those taken up by so called "advanced" industries rose by 7 per cent. In Flanders the figures over this period were 4 per cent and 3 per cent respectively.

A Walloon economist even questions the wisdom of Flanders' highly successful efforts to attract foreign investment, a strategy he claims makes the region dependent on decisions taken outside the country. This is in contrast to the emphasis on joint ventures in Wallonia.

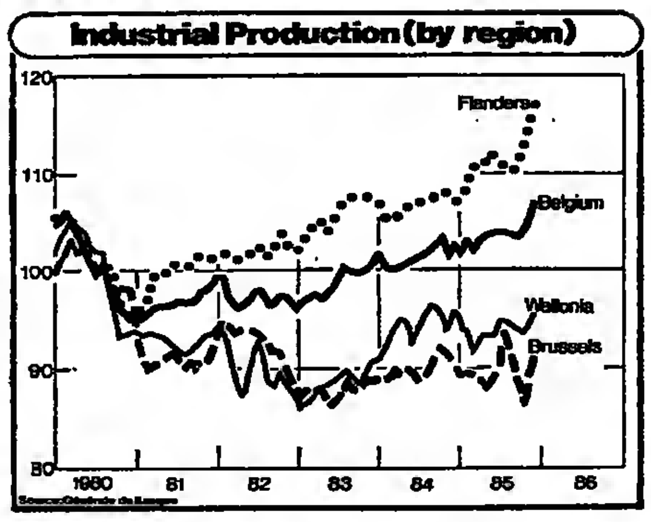
The conclusion of a study on Belgium's regional economic differences published in 1985 by Kredietbank nevertheless remains valid today. It says: "Whether or not the economies of both regions will converge or diverge in the coming decades is still an open question and will initially depend on the development of the wage share which reflects the competitiveness and profitability of business."

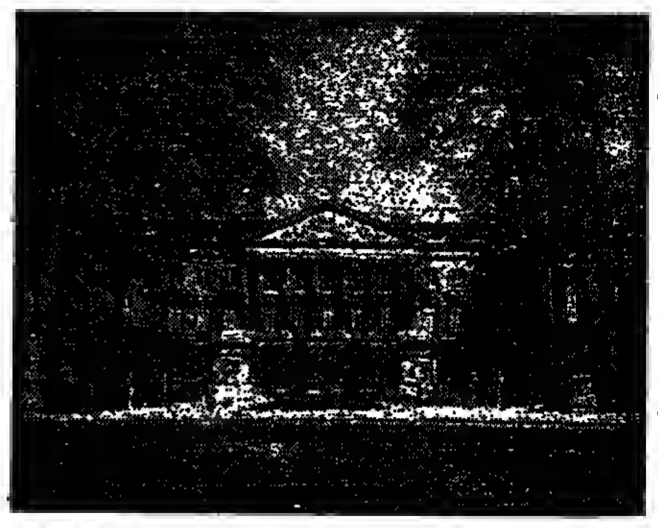
Tim Dickson

Members of the current Belgian Parliament do not have a mandate for constitutional reform, but this has not stopped debate in the parliament buildings (below) on education changes which would demand altering articles of the constitution. Considerable support has developed for giving the linguistic regions more power in this area.

The previous Parliament passed a law providing the regions with a greater degree of economic independence by giving them effective control of future subsidy policy for coal, steel, shipbuilding, textiles and glass manufacture. The idea was to find a means of bailing out Cockerill Sambre, the state-owned steel group in the south. Northern politicians refused to see more central government funds going into the group without some form of regional quid pro quo.

Cockerill Sambre is closing plants like the one above in an effort to come back to profit.





Regional authorities have thrown their weight behind high-technology promotion rather than trying to bolster up traditional lame-duck sectors

Energy centred on new industry

RESPONSIBILITY for five "problem" sectors of the economy—glassmaking, steel, textiles, coal and shipbuilding—remains an uneasy compromise between Belgium's national Government and its regional authorities. But there is no ambiguity about who supports new high technology businesses and small and medium-sized firms.

Partly through conviction and partly through paucity of choice, both Flanders and Wallonia have concentrated their energies on backing these new industries rather than helping lame ducks.

Flanders has created its highly successful Flanders Technology, an international trade fair which takes place every two years (the next is scheduled for May next year) and is designed to show the world what the Flemings have to offer. Foreign investment has poured into the region, rising from $600m in 1981 to $1.1bn in 1984 and 1985.

The Flanders Government has given special attention to microelectronics. Under its Inter-University Programme for Microelectronics (INVOMEC), for example, 300 engineers specialising in the design of VLSI chips are being trained each year.

At Leoven (Louvain) some $46m has been invested in an Inter-University centre where researchers from the state university of Ghent, the Free University of Brussels and the Catholic University of Leuven work in co-operation.

Similar programmes are being developed in the fields of biotechnology and new materials, with telematics, aerospace, medical technologies, robotics, new energy, agro-industry, office automation and engineering the application technologies most keenly encouraged.

Wallonia, meanwhile, has also singled out biotechnology and composite materials (as well as optics and robotics) for special support under its Athena programme, launched by Mr Melchior Wathelet, then Minister of High Technologies and Small and Medium Sized Enterprises, and Executive President.

Operation Athena is designed to spur innovation through communication (several clubs have been set up bringing together companies in various sectors), selective financial assistance (the targets are sectors in which the region is seen to have proven strengths) and fiscal incentives.

One of Mr Wathelet's most interesting initiatives—in keeping with his aspirations for "Wallifornie," as he likes to call it—is to invest BFr 50m of the Government's resources in the Lambda 3 fund, a venture capital company in New York managed by Drexel Burnham Lambert.

It is believed to be the first time that a public authority in Europe has made such a move, but in contrast with most investors the main objective is not to make a commercial return but to try to persuade emerging US companies to set up their European operations in Wallonia.

The strategy has so far borne fruit in the setting up of subsidiaries of the Liposome company of Princeton, New Jersey, Bioassay, of Woburn, and the California-based Hybritech.

A Walloon spokesman has explained that "the agreement with DBL provides for a Walloon delegate to sit on the advisory committee of the fund, the ability to contact any company receiving money from the fund, access to technical and financial information received by the fund, and free consultation with the managers."

Tim Dickson

Private Sector

Deep worries beneath favourable omens

BELGIAN COMPANIES have been earning more from exports so the balance of trade is in better shape, while the increase in funds on the Bourse helped a restructuring of corporate finance between 1982 and 1984. Profits are higher—returns on industrial and financial sector investment have been running higher than the returns on government bonds.

But underneath these good omens there are deep worries. "The problem will not be the public deficit, but that of fundamental growth," one influential policymaker said.

Why is investment not higher? He says there is no specific answer, but "everybody is concerned."

The Organisation for Economic Co-operation and Development touched on the difficulties in its Economic Outlook last month. "Business fixed investment and inventory formation weakened, the improvement in gross operating surpluses (up by 14 per cent) having served more for balance sheet consolidation than the acquisition of new capital goods.

"Although domestic demand was still considerably less buoyant than in the main partner countries, the contribution of net exports to growth remains small owing to the loss of export market shares stemming from the Belgian economys insufficient structural adjustment to demand."

Exports have increased, but the main determinant in improving the trade balance has been a low level of imports in value terms. Last year there was BFrs 35bn surplus on the current account of the balance of payments. Mr Tony Vandeputte, the economics director at the Federation des Entreprises de Belgique, says: "If at the end of the day there was an improvement, it came from the higher rise of our export prices than our import prices."

That is not something that can be relied on over the longer term. So the basic point is whether Belgian companies are making the right sort of products to underpin sustained growth. The National Bank of Belgium thinks not. Its analyses suggest that Belgium is too strong in products for which world demand is relatively weak and not strong enough in products for which demand is relatively strong.

"We are good at consumer goods, not very good at high technology," said the policymaker. That was somewhat over the top, but the suggestion that Belgium is an intermediate industrial economy is a fair one. It does not live alone on chocolates and carpets, but as Mr Vandeputte pointed out, last year it was chemicals, transport equipment and machinery which were the best sellers. The worry rather is that Belgian companies en masse are not putting enough cash and effort into new product lines.

To some extent this is due to catching up. Renewal of the industrial fabric slowed in the second half of the 1970s as profits declined. The stimulus from overseas investment fueled a significant point because when Belgian industry was gaining the benefits of the expansion of European trade in the 1960s and in the period up to the first oil crisis, the most dynamic impulses came from a combination of foreign (especially US and German) and Belgian management.

Even now, Fabrimetal reported from its surveys of the engineering, electrical and plastics industries, companies of foreign origin are investing at twice the rate of indigenous companies. Further, nearly half the investment in mechanical and electrical industry has been devoted to rationalisation.

And the largest sectoral investment has been in the automotive industries—and here the scope for native technological innovation is inevitably limited. The plants are primarily assembly operations.

In the Fabrimetal area, which accounts for nearly 30 per cent of Belgian exports, fixed asset investment in 1985 was 9 per cent higher than in 1984 at BFrs 38bn. The amount of cash spent on research and development, licences and patent was BFrs 12bn of which threequarters went into the electrical and electronic industries.

Total volume of investment rose by some 6 per cent in both 1984 and 1985 and will rise again this year, but independent analysts note that most of the investment is going into doing the existing things better.

For the companies, there is no shortage of money to do new things, even though real interest rates remain high. Much new investment over the last two years has been financed internally, a facility made easier by healthier looking balance sheets.

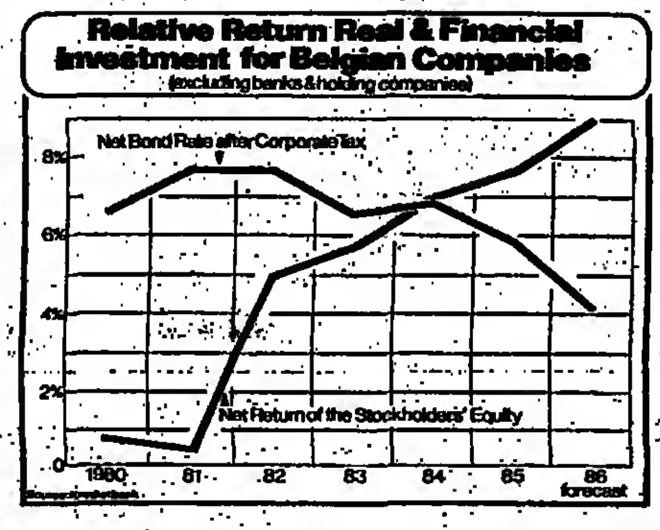
But the local markets are awash with funds. Bank annual reports have continued to show that lending to the private sector remains sluggish. The problem for companies now is not where to find money but what to do with it. "It is difficult to change from one product to another, even more difficult to change from one sector to another," noted Kredietbank economists.

But they add: "The whole economy is at a new limit. There is a need for new development." At this point the general quality of management becomes an issue. "You need a decade to change the structures," officials say.

The markets are forcing changes and throwing up new opportunities. How these opportunities are being seized is considered through the eyes of companies in high technology, more traditional engineering and consumer goods.

Paul Cheeseright

Relative Return Real & Financial Investment for Belgian Companies
(excluding banks & holding companies)



Japan seal of approval

THE DEAL that currently pleases John Cordier most is his breakthrough in Japan. He was looking for a real seal of approval for the new range of modems (for linking computers and terminals through telephone systems) produced by his newly-independent company Telindus.

He decided that the toughest, and the best, would be to win the approval of the Japanese telecommunications giant, Nippon Telephone and Telegraph (NTT), by winning the right to tender for NTT contracts.

"First of all you have to be a certified supplier," says Mr Cordier, managing director and driving force behind the Brussels-based data communications company. "They consider your technology, your production facility, and your financial structure.

"I wanted an audit on our products and we decided to take the most difficult. We decided to hit Japan, and NTT in particular."

The result was successful and last year Telindus won its first NTT contract, with the first modems due for delivery next month. "We are very proud that we are the first non-Japanese modem venture to provide them with modem equipment," Mr Cordier says.

This exercise is typical of the energetic self-confidence of Telindus since it first came into a hostile world in 1969. Now it is regarded as one of the leaders in Belgium's growing high-technology sector.

Telindus began as the brainchild of Mr Cordier and two colleagues when their Dutch employer pulled out of Belgium at the end of the 1960s. They took over the basic infrastructure of the engineering office and cast around for a suitable business. They decided on data transmission.

At one end of the market—low-speed modems—the Belgian

TELINDUS

state telecommunications corporation had an exclusive contract with Siemens, the West German multi-national. At the high-speed end the market was dominated by IBM, the US computer giant.

"We didn't start in an ideal environment," says Mr Cordier. "But we thought we could be successful because of one shortcoming in the market: the end user was faced with a new application and he didn't know much about it.

"We were small and aggressive. We had the courage to go around and tell people what we thought data transmission was all about."

Telindus signed an agreement with Racal-Milgo, then one of the few manufacturers of data-communications equipment in the world, and began life as an importer.

"We seized the opportunities of the local market. Large organisations were not all that interested in systems work. We were confronted with customers who wanted something special. We supplied their specialist needs."

In 1972 the company had its first big chance. Kredietbank, number three of the main Belgian banks, wanted 650 connections for a data communications system between its agencies and branches. It was the biggest such system in Europe at the time and it was installed ahead of schedule.

Since then Telindus has had more than one incarnation: it was taken over in 1972 by Gardy, a Belgian electronics company, which in 1981 was swallowed up in the French Empain-Schneider group. John Cordier decided to break away. In 1982 he organised a management buy-out which set Telindus on its present course.

Finally, in June last year, it was the first company to be launched on the Brussels Stock Exchange's "secondary market"—the Belgian equivalent of London's unlisted securities market. Its 339,600 shares were 20 times oversubscribed.

In the past year Telindus has broken its link with Racal-Milgo and marketed a full range of its own products. "Our main supplier lost interest," said Mr Cordier. "As his overall market increased he did not want to supply all the specialist needs. That is how Telindus got back into the modem business."

The company's first export venture was predictably into neighbouring Luxembourg, where the concentration of banks and financial institutions provides a potentially lucrative data communications market.

In 1977 Telindus set up a joint operation with, of all unlikely partners, Arbed, the Luxembourg steel company. Arbed was looking for new jobs for redeployed steel workers and Telindus offered to take three or four. The result was the joint venture.

The company's annual report for 1985 is clear proof of its rapid expansion: turnover jumped 24.5 per cent to BFr 1.53bn, reflecting a 24 per cent increase in Belgian sales and a 32 per cent leap in exports. After-tax profits reached BFr 140m, up 51 per cent.

Quentin Peel

Market saturated with beer

BEER-DRINKING is more than just part of the Belgian way of life. It is one of the unifying forces in a divided nation, crossing the cultural divide with a bewildering variety of dark beers, light beers, sweet beers and sour beers, brewed since time almost immemorial.

Per capita consumption of beer ranks second only to West Germany's heady level: it is 125 litres a year in Belgium, compared with 144 litres for German drinkers, and a mere 87 litres in the neighbouring Netherlands.

"This market is completely saturated," says Mr Philippe Coppé, executive committee member of the Artois group, the country's largest brewing group. "Beer consumption is declining. If we want to grow we have to look outside."

Over the past two decades the Belgian brewing industry has undergone a drastic process of consolidation: the proliferation of small breweries (there were more than 3,000 around 1900) has shrunk to just 124. At the same time the big names like Stella Artois, Jupiler and Maes, have greatly expanded their market share.

Brasseries Artois, based in the university town of Louvain (Leuven) east of Brussels, has increased production sevenfold since the 1960s, from some 1.3m hectolitres per year in 1960, to more than 9m hl last year. In the process, the group has grown to include almost 100 companies.

The brewery traces its origins back to 1366 and its name to the Artois family which controlled it in the 18th century. It is still in private hands, the major shareholders being the de Spoelberch and de Mevius families.

Mr Raymond Boon, who as chief executive was almost single-handedly responsible for the expansion in the 1960s and 1970s, has stepped up to become chairman, and a five-man executive committee has taken his place.

That reorganisation has coincided with a new drive for diversification from Belgium's basic markets — France and the Netherlands.

In April Artois joined forces with a rival Belgian brewery, Piedboeuf, to set up Artois Piedboeuf International, to co-ordinate their international sales and investment drive.

Top priority is southern Europe — Italy and now Spain and Portugal since they joined the EEC this year — where beer drinking is still on the increase.

Next comes Africa, where Artois already has operations in Zaire, the Ivory Coast and Nigeria. After that come North America and Asia.

Exporting beer as such from Belgium is not the Artois ambition, the trend is rather to build up direct investment in foreign breweries, either as partner or sole owner, and to sell the company's management skills, technology and brewing know-how.

Artois has won two major brewery technology contracts for China, one as sub-contractor to the French company Technip and the other with the Belgian contractor Tractionel.

"Our technology is such that we have been able to sell a process which is cheaper to install and cheaper to operate than other brewers," said Mr Coppe. "We design the breweries and

ARTOIS

provide technical assistance, including training Chinese brewers here in Louvain."

The group also provides technical assistance alone—for example in keeping breweries on stream in southern Angola during the civil war.

"We are looking for geographical diversification," Mr Coppé added. "We are not interested in hotels or fast foods."

Apart from speciality beers, Artois is also expanding in soft drinks production. It owns 30 per cent of the Spa mineral water and soft drink group, although it is not involved in company management.

On the external front Artois is relying on its new alliance with Piedboeuf, set up with a capital of BFr 1.5bn, to find new markets.

"Belgium currently exports 18 per cent of its beer output," Mr Coppé said. "That is less than Holland but proportionately much more than the French, Germans or British are doing. We are late in moving, but we want to catch up now. We intend to become one of the top three producers in Europe."

Only the vast and thirsty West German market still looks effectively close, even if the Bonn Government loses its current case in the European Court to keep to rigid purity standards.

Quentin Peel

A vocation for exports

AT THE end of the Second World War the little Flanders village of Koningshooikt, set in the heart of market garden country north of Mechelen and south of Antwerp, could boast no more than "a lot of peasants growing vegetables," to quote a local resident.

In that same rural setting today, the village is headquarters of Belgium's largest bus and coach builder, Van Hool, its workshops and body plants sprawling across 90 acres of former farmers' fields.

The family home of Bernard van Hool, the company's founder, still stands in the middle of the complex, where he built his first coach on an army truck chassis in 1947. Today the plant turns out some 1,300 vehicles a year, buses and trailers, and sells four out of five in foreign markets.

Van Hool remains a tight-knit family operation: the seven surviving sons of the founder run all the main divisions and retain close financial control. Yet from that parochial background, the company has grown to be the second largest independent bus manufacturer in Europe, and a major international name in the industry.

Its export vocation stems directly from the limitations of the Belgian market. "All bus manufacturers have to rely on exports, because the Belgian market is so small," Mr Jozef Schools, assistant to the managing director, says. "In this market we only have about 500 possible clients."

Recent government austerity measures have reinforced that need, by putting a virtual stop to all new buying by public bus companies.

"There has been a complete stop on public investment since 1983, and they have extended the working life of the buses first from 10 to 12 years, and now to 15 years. We have had to raise our export figure from 65 to 80 per cent of our productions," Mr Schools says.

Van Hool began life as a bus body-builder on other manufacturers' chassis, a role which still forms the largest part of its production, particularly for the export market. Since 1957, however, it has also been building its own chassis to make complete Van Hool vehicles, with 75 per cent Belgian content. In 1975 it added industrial vehicles to the range, with a whole variety of custom-built trailers, including gas and liquid-carrying tanks.

The range of its operations means the company has to perform a difficult balancing act in the market between competing and co-operating with the major bus chassis manufacturers, for whom they also act as sub-contractors.

"We may be co-operating with Volvo in Bangkok for a joint order, and simultaneously competing with them for a public service order in Belgium," Mr Schools says. "We have to act in a very correct way. We may be approached for the same order from Mercedes or Volvo. It is rope-dancing. We have to keep our balance."

VAN HOOL

A company like Van Hool cannot hope to compete with giants like Mercedes on mass production — producing buses almost like cars. What it can do is compete in terms of custom-built design, and speed of delivery.

"There will always be a need for a master tailor," according to Mr Schools. "A product has to be adapted to local geography and climatic circumstances.

"When a big export contract presents itself, you must be ready and willing to do it. Contract discussions can take so long that delivery times are very short. We can be very flexible."

Last month, for example, the fact of 300 buses was completed for an order for the Nigerian capital, Lagos, signed only last December.

A key to the company's success has been its young, experienced and motivated workforce: average age 33, average length of service nine years. They are drawn from the surrounding villages, and as far afield as the Limburg coal mines, some 50 miles east. There is a very clear feeling of co-operative effort about the whole plant, and an obvious identification with the quality of the end product.

The company's biggest steady markets are in France — between 250 and 300 vehicles a year — Sweden (up to 200) and the Netherlands (between 80 and 100). The UK market is important but erratic. Van Hool is the largest importer of "bodied" vehicles with some 70 per cent, and sold 200 in the year immediately after deregulation. Currently, however, the market is in "terrible shape" according to Mr Schools, with only half the number of vehicles being replaced which one might expect.

Africa is the biggest market outside Europe with Van Hool bodies used on a range of different chassis from Luanda to Algiers and Lagos to Kampala.

Van Hool teamed up with Volvo as a major competitor against British Leyland for a 4,000-bus contract for Bankok — which would have been the largest order ever placed — only for the Thailand government to get cold feet about the foreign exchange cost.

The company does not use intermediaries but employs its own sales teams, permanently based in the major European markets, and flying to other countries. It prides itself on after-sales service: in Algiers it sold 50 buses in 1977-78, and today the fleet remains "95 per cent available."

"We have two men permanently based in Algeria, just driving from depot to depot ensuring that they have the spares and the know-how to keep the buses on the road," Mr Schools says.

The company sees itself as having a vocation to build up a genuine Belgian bus industry, based on its own technological knowledge.

"Belgium has always been a testing-ground for new ideas in the automotive world. Nowhere else will you find such a diversity of vehicles," Mr Schools says.

"Our big worry is that while we are trying to establish a Belgian bus-building technology, we have to live with all these foreign competitors trying to get their part of the market, even a small one, just as a testing ground.

"We have to compete with everybody. Our authorities are much less chauvinistic than the French or the Germans."

Quentin Peel

Food

A good meal is central to family life

A SENIOR executive of a multinational food company nearly missed his plane to New York the other day because of his nostalgia for Belgian delicacies. He left his taxi ticking over, at great expense, while he dashed into Bernard, the world famous Brussels *traiteur*, to look for the elusive *jets de houblon* (tender hop shoots), which are briefly available in a few specialist shops in late spring.

Disappointed, he was told by the crisp and haughty assistant, "The season finished yesterday."

At 72, proprietor, Mr Théodore Bernard has just retired from the family business, but he still comes into the tiny office each day "to keep an eye on things."

Bernard's shop is the quintessence of the Belgian Good Life, with its respect for quality and devotion to detail. Three generations of loyal customers have been coming, over 150 years, to buy fresh foie gras, oysters, plovers' eggs and caviar.

"Look at this," says Mr Robert Piérard, Mr Bernard's right-hand man, waving a round blue tin under my nose. "The Iranians are sending us decent stuff again. We had to return an awful lot of caviar when Khomeni was first around. No quality control."

Mr Bernard caters for a clientele which has always had a part to play in the Brussels social scene, and which seems to survive all political and economic ups and downs. "They are very demanding, very difficult and very rich," says the owlish Mr Bernard from behind a pile of bank statements.

The shop supplies only the freshest and most *recherché* produce — at a price. Each season has its speciality, from the early Malines asparagus in December, to the *passe-pierre* crunchy seaweed from Brittany in March. Later, there are partridges from Holland, wild boar, young fawn, and live crayfish from Poland.

The first *maatjes* (soused herrings) are currently on offer, "to be eaten with haricots and a special mustard sauce from Ghent," says Mr Bernard, who also sells Scottish smoked salmon at £60 a kilo, and English bacon at £10 a kilo.

Although the visitor to Belgium is immediately struck by the expensive marvels of patisserie, chocolate and charcuterie available in the shops, it is not just the rich who love their food. The role of a good meal is central to family life, something which is taken seriously at all levels of society.

Even in the school bus, children will hotly debate the relative merits of the *fritures* where they will buy their lunchtime paper cornets of chips, complete with dollop of curry sauce, picalilli or mayonnaise.

It would be unthinkable for a Belgian family not to eat together. The Anglo-Saxon idea of nursery food at nursery hours, and the American-style snack-on-the-run are equally alien. Sitting together at the end of the day is still a ritual, and the smallest child will tuck into the *chicon au gratin* (eels in green herbs) or beef stewed in beer.

"We are brought up to appreciate good food," says Bernard. This reverence is nothing new. Rabelaisian feasts are a feature of early Flemish paintings, and every town in Belgium seems to have street names celebrating *tripes*, *marché aux fromages*, or simply *beurre*.

The importance of eating well is continuously reinforced by the enduring traditions of family life, with Sunday lunch with granny a weekly treat for nearly everyone. Then there is the continuing observance of ancient folklore, especially carnivals which are extremely varied and rich in Belgium and are closely linked with food.

In Liege, on August 15, for example, the citizens celebrate the Assumption with a feast of pancakes stuffed with currants and sprinkled with the local liqueur called *péket*. While in the Brabant village of Orp-le-Petit, the annual festival centres around the new crop of green cabbages used in the preparation of the local speciality *boudin vert*.

This hearty sausage is taken so seriously that only five butchers are awarded the *appellation contrôlé* which allows them to advertise the authentic dish. It is normally consumed with great gusto and washed down by a local beer called Le Fruit Défendu because of its considerable alcoholic strength.

The whole bucolic feast is sanctified by frequent pious references to the local Saint Adèle, best known for her powers to heal the blind.

No visitor to Belgium could fail to be impressed by the variety and quality of its food, though genuinely regional dishes are found more often at local kermesses (village fetes) and in private houses than in restaurants.

From the mussels cooked in beer and scallops with bacon and chervil of the Flemish coast, to the wild boar with juniper of the Ardennes forest, each region has something original to offer.

Yet there is a tendency to over-generalise about Belgian food. It is often regarded as a northern extension of France, and many of the classic French dishes appear on Belgian menus, prepared with the same flair. The countries use common ingredients, and are closer in their interest in cooking than with their Dutch, German or British neighbours.

However the roots of Belgian cooking go back further than its links with France, and owe a lot to its turbulent political past.

Belgium has been subjected to cosmopolitan influences for centuries, fought over and occupied by the Spanish, Germans, Dutch and French. It also became an important crossroads of trade routes, which enriched the variety of dishes.

Given the basic resources of rich soil, temperate climate, abundant fish and game, the Belgians were off to a good start and legend has it that the Romans found the locals already tucking into wild boar with chicory, and drinking *cervois* beer.

The Romans brought new spices, wines and fruit, which enhanced the rough local fare, but many specialities originated in the Middle Ages.

The abbey farms had good supplies of milk, honey, fruit and flour, and because the monks were usually forbidden meat, they tended to turn their creative energies into transforming bumble raw materials into cheese, pastries, beer and liqueurs.

Even today, many Belgian cheeses are still produced by monks, as are several of the country's 400 beers. Many beers, which are usually strong and highly flavoured, are the basis of regional stews and sauces.

Cakes and pastries, such as *cramique* (spiced fruit bread), waffles and many tarts like the vegetable and cheese *djotte* from Nivelles and the *maton* from Mons (made with sour milk) can also be traced to the Middle Ages.

Belgian cuisine could have disappeared in the succession of foreign invaders, but instead many dishes which mix meat and sweet tastes such as rabbit and prunes survived uncorrupted. Enid Gordon and Midge Shirley, whose book A Taste of the Belgian Provinces was a best seller, say that much of what is now called nouvelle cuisine was already embedded in the traditions of Belgian regional dishes.

It was once said that the language division in this small country extended to its food: the Flemish were *gourmands* (gluttons) but the Walloons were *gourmets* (connoisseurs).

It may be that rich and hearty stews such as Waterzooi and carbonnades, are more common in areas lashed by the northerly winds, but this generalisation is probably just a refinement of the prejudice which led Victor Hugo to make a famous remark. When his restaurant neighbour observed that Hugo must be French because of the quantities of bread he ate, he replied: "And you must be Belgian, because you eat so much of everything."

Pamela Readhead

Useful facts and figures

Time: GMT+1 (GMT+2 from early April to late September).

Climate: temperate, with warm weather from May-September. Summer temperature averages around 18 degrees C, winter around 1 degree C.

Entry requirements: visas not required by nationals of USA, Japan and most Western European countries for period of up to three months.

Currency: no restrictions on foreign or local currency movements. Exchange rate about BFr 68.50 to the pound.

Customs: personal effects and goods (up to the value of BFr 25,000 for non-European residents and BFr 7,500 for European residents) duty free.

Air access: frequent first class and economy flights linking Brussels with over 90 international cities.

National airline: Belgium World Airlines (SABENA).

Main international airport: Brussels (BRU), 12 km from city centre.

Other international airports: Antwerp (ANR), Ostend (OST), Liège (LGG).

Surface access: good road and rail access with the main centres of the Netherlands, France, Germany and Luxembourg. Also daily crossing by boat or jetfoil from Ostend of Zeebrugge to UK.

Main ports: Antwerp, Ostend, Ghent, Brussels, Liège and Zeebrugge.

Translation service: available from embassies, tourist offices and chambers of commerce.

Main Cities: Brussels (pop 1m), Ghent, Antwerp, Charleroi, Bruges, Liège and Namur.

Hotels: advisable to book hotel or pension in advance either direct or through Belgium Tourist Reservations. No bookings can be made through national tourist office. All tariffs must be displayed by law. Average cost of hotel room with breakfast BFr 3,500/night. Service charge usually included. Total hotel room capacity of Brussels area is 8,420.

Car hire: available at airports and in most main towns. Speed limits: urban roads 60 kph, main roads 90 kph. Minimum speed on motorways 70 kph.

City transport

Taxis: readily available. Standardised fare system, which includes service charge.

Buses/trains: regular flat fare tram and bus service.

Metro: expanding network in Brussels.

National transport

Air: limited internal service.

Road: extensive road network. Toll-free motorways serve all main towns with the exception of those in the Ardennes. Comprehensive coach service, particularly to rural areas, operated by Société Nationale des Chemins de Fer Vicinaux (SNCV).

Rail: first and second class service serves all main towns. Combined tickets allowing for stopovers in main towns offer best value. Special shuttle service operates from Brussels Central Station. Express trains (TEE) ensure rapid connections with all French and German cities.

Water: over 1,500 km inland waterways. Service operated by Administration des Voies Hydrauliques. Inland canals connect with major French and German ports.

Public holidays: fixed dates: January 1, May 1, July 11, July 21, August 15, November 1, November 11, December 25-26. Variable: Easter Monday, Ascension Day, Whit Monday.

Trade fairs: several international exhibitions, of which Brussels International Trade Fair and International Fair of Flanders in Ghent most important. Information available from Ministry of Economic Affairs Exhibitions Office. Belgium ranks second in Europe for the number of international conventions.

Working hours: business (Mon-Fri) 08.30-17.30; government (Mon-Fri) 09.00-17.00; banking (Mon-Fri) 09.00-16.30; shops (large variations) typically 09.00-20.00.

Press: over 30 dailies in both French and Dutch, including Le Soir (French), De Standard (Dutch), De Morgen, La Libre Belgique and Het Laatste Nieuws. Various magazines and journals covering political and economic affairs. Principal business papers/magazines: L'Echo de la Bourse, De Financieel Ekonomische Tijd, Tendances, Trends, Prospects, Bulletin.

Telecommunications

Telephone: local and international dialling (00). Cost of local call BF 5/unlimited time. International dialling code 32 + 2 for Brussels. For 'telefax' transmission of documents dial 931 or 951.

Telex: available in most major hotels. Country code 46 B.

Telegrams: service available from telegraph offices (open 24 hrs/day) and direct by telephone.

Postal service: post offices open 09.30-12.00 and 14.00-16.00 (Mon-Fri), longer in main towns. Mail can be sent 'Poste Restante' to main post offices—passport required when collecting. Average cost letter inland BF12.

Broadcasting: over 3m TVs and 5m radios in use. 'Radio-Television Belge de la Communauté Culturelle Française broadcasts in French, and 'Belgische Radio en Televisie' in Dutch. Several foreign broadcasts received, either direct or via cable.

Advertising: complicated by language problems. No commercial advertising on TV or radio, except through Luxembourg, but all other media widely used.

Information available from Ministry of Economic Affairs.

Hotels in Brussels include: —

Hotel Amigo, Rue de l'Amigo (tel: 511-5910; tx: 21618).

Brussels Europa Hotel, 107 Rue de la Loi, 1040 (tel: 2301333; tx: 25121).

Brussels Sheraton Hotel, 3 Place Rogier, B-1000 (tel: 219.34.00; tx: 26887).

Hilton International Brussels, 38 Boulevard de Waterloo (tel: 513.88.77; tx: 22744).

Hyatt Regency Brussels, 250 Rue Royale, 1030 (tel: 219.46.40; tx: 61871).

Hotel Métropole, Place de Brouckère (tel: 217.23.00; tx: 21234).

Car hire in Brussels

Avis, Rue Américaine (tel: 537-1280; tx: 24051).

Europcar, Boulevard Brand Whitlock (tel: 735-9050; tx: 24335).

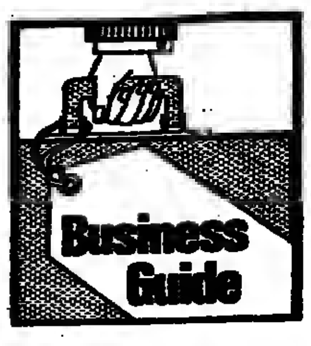
Hertz, Boulevard Lemonnier 8 (tel: 513-2886; tx: 26015).

Inter-Rent, 235 Avenue Louise (tel: 640.94.00; tx: 64202).

European Commission, 200 Rue de la Loi, 1049 Brussels. (tel: 235-1111).

European Communities Council of Ministers, 170 Rue de la Loi, 1048 Brussels. (tel: 234-6111).

North Atlantic Treaty Organisation, Boulevard Leopold III, 1030 Brussels. (tel: 241-0040).



Guide and facts and figures provided by World of Information. Tel: 0799 21150.

Chambers of Commerce

Antwerp-Kamer van Koophandel & Nijverheid van Antwerpen, Markgravestraat 12, 2000 Antwerp (tel: 232.22.20; tx: 71536).

Bruges—Kamer voor Handel en Nijverheid voor het Noorden, van Westvlaanderen, Ezelstraet 25, 8000 Brugge (tel: 33.36.96; tx: 81282).

Brussels—Chambre de Commerce de Bruxelles, Avenue Louise 500, 1050 Bruxelles (tel: 648.50.02; tx: 22082).

Charleroi—Chambre de Commerce et d'Industrie de Charleroi, 1 Avenue Général Michel, 6000 Charleroi (tel: 32.11.60; tx: 51624).

Ghent—Kamer van Koophandel & Nijverheid van het Gewest Ghent, Building Lieven Bauwens, 15 Martelaarsln, 9000 Ghent (tel: 25.33.07; tx 11871).

Liège—Chambre de Commerce et d'Industrie de Liège, Rue des Augustins, 46, 4000 Liège (tel: 23.62.11 or 23.66.86).

Namur—Chambre de Commerce et d'Industrie de Namur, Place d'Armes, 5000 Namur (tel: 22.57.91).

Ostend—Kamer voor Handel en Nijverheid van Oostende 2 Wapenplein, 8400 Oostende (tel: 70.17.07; tx 82057).

Tournai—Chambre de Commerce et d'Industrie de Tournai, 9B Placette aux Oignons, 7500 Tournai (tel: 22.11.21).

Other addresses

Association of Belgian Contractors (ADEBOM), Avenue Grandchamp 148, B—1150 Brussels (tel: 2/771.61.08; tx 21449).

Belgian Association of International Trading Houses (ABNEI), Israelietenstraat 7, B—2000 Antwerp (tel: 3/232.75.47; tx 3158).

Belgian Foreign Trade Office (DBH-OBCE), Boulevard Emile Jacqmain 162, B—1000 Brussels (tel: 2/219.44.50; tx 21502 bexpo b).

Belgium National Tourist Office, 61 Rue du Marché aux Herbes, 1000 Brussels.

Centre d'Information de Presse (news agency), 38 Avenue des Arts, 1000 Brussels.

Chambres des Agences-Conseils en Publicité (CACP), 28 Avenue due Barbeau, 1160 Brussels (tel: (02) 672 2387).

Commission de la Bourse de Bruxelles (Stock Exchange), Palais de la Bourse, Place de la Bourse, Brussels.

Committee of Belgian Consulting Firms (BUROBELL), Avenue Louise 430, B—1050 Brussels (tel: 2/648.10.55); tx: 2159 Cebi b).

Fédération des Enterprises de Belgique (Belgium Business Federation), 4 Rue Ravenstein, 1000 Brussels (tel: 2/511.58.80; tax: 26756 febb).

INBEL (Belgian Institute for information and Documentation), Rue Montoyer 3, B—1040 Brusels (tel: 2/512.66.68; tax: Inbel B 21.716).

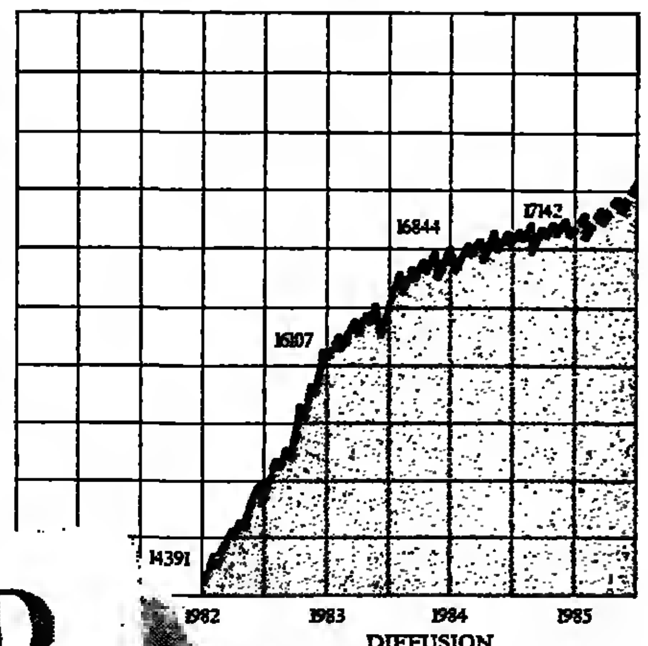
Institut National de Statistique, 44 Rue de Louvain, Brussels 1000.

Ministry of Economic Affairs, Square de Meeus 23, B—1000 Brussels (tel: 2/512.66.90; tx: 21062 ecobel b).

National Credit Insurance Office (OND-ND), Square de Meeus 40, B—1000 Brussels (tel: 2/512.33.00; tx: 21147 ondb).

Office Belge du Commerce Extérieur, World Trade Centre, Boulevard Emile Jacqmain 162 (tel: 219.44.56).

Tourism Information Bruxelles (TIB) (The Brussels Information Centre), Rue du Marché aux Herbes 61 (tel: 513.89.40).



SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday June 13 1986

Beecham plans to sell non-core businesses

BY MARTIN DICKSON IN LONDON

BEECHAM, the pharmaceuticals and consumer products company, yesterday announced plans to sell off non-core businesses – including its home improvement products division – in a strategy review designed to improve its dull financial performance and restore investor confidence.

The review was set in motion by Lord Keith of Castleacre, the company's chairman, and Mr John Robb, its chief executive, following a boardoom coup last November which ousted Sir Ronald Halstead from the chairmanship after just 15 months in office.

Lord Keith said yesterday that Beecham had decided to concentrate on developing its core health and personal care businesses. With limited exceptions, it will dispose of operations outside this area.

Three businesses have been put up for sale immediately: home improvements products, which includes the well-known glues Unibond and Copydex and is based mainly in the UK, US, France and West Germany; the Findlater, Mackie Todd wines and spirits business in the UK, provided an acceptable partner can be found for its Campari and Remy Martin agencies; and Germaine Monteil, a loss-making US cosmetics business.

The company would not disclose any financial information about these businesses beyond saying that they represented less than 10 per cent of group turnover.

The new strategy was unveiled at the same time as it announced 1985/86 pre-tax profits of £303.8m, only slightly ahead of last year's £299.8m. However, both the new policy and the figures were in line with market expectations and the shares closed unchanged at 393p.

Since the departure of Sir Ronald, there has been persistent speculation that Beecham might be the target of a takeover bid. Lord Keith sought to pour cold water on this yesterday, saying there had been "no serious approaches." He thought that if something was going to happen, it would have done so by now.

The group has been looking for a new executive chairman since November. Lord Keith said that someone had almost been lined up a few weeks ago, but at the last minute "circumstances outside his and our control" meant he was no longer available.

Beecham is now talking to two possible American candidates, although it now seems to have given up its original hopes of getting a pharmaceuticals specialist. It has also to appoint a new finance director.

The disposals will be the first significant ones that Beecham has made in 20 years. It only entered the home improvement business some three years ago, but the diversification was not as successful as it had hoped.

Mr Carl Icahn

President resigns in TWA struggle

By William Hall in New York

Mr Richard Pearson, 51, has resigned as president of Trans World Airlines (TWA) after a power struggle at the top of the troubled international airline, which has been hit by serious industrial unrest and the drop in US tourist traffic across the Atlantic, its major route.

Mr Carl Icahn, the Wall Street financier who acquired control of TWA earlier this year after a bitter takeover battle, announced Mr Pearson's resignation.

It is understood that Mr D. Joseph Corr, who recently joined TWA as a vice chairman after working with one of Mr Icahn's other affiliates, will assume most of Mr Pearson's responsibilities. Unlike Mr Pearson, a 20-year TWA veteran, Mr Corr has had no experience of the US airline industry.

Mr Icahn, who only six months ago issued a public statement denying rumours that he was looking for a replacement for Mr Pearson, went out of his way to praise TWA's departing president.

"Dick's efforts were indispensable in returning TWA to normal operations during the flight attendants' strike. All of us at TWA owe Dick a sincere vote of gratitude," he said.

Mr Pearson was one of the strongest opponents to Mr Icahn's efforts to win control of the airline and there was considerable speculation when the financier won control that Mr Pearson would be one of the first casualties.

Mr Icahn is understood to have tried to lure several of America's top airline executives to run TWA. However, these efforts came to nothing and Mr Pearson, who was elected president last September, appeared to be running the day-to-day operations of the airline effectively. His resignation came as a surprise to Wall Street analysts.

TWA lost $132.6m in 1985 and another $169.8m in the first quarter of 1986, of which $45m was blamed on the flight attendants' strike. TWA shares, which have traded as high as $23 last year, slipped by $¼ to $14⅞ in early trading yesterday.

Hewlett Packard seeks job reductions

By William Hall in New York

HEWLETT-Packard, the US electronics group, is to offer an enhanced early retirement programme to its US staff in an effort to reduce its 56,000 US workforce by 1,500.

The company, based in Palo Alto, California, says it will offer the programme to 1,800 long-service employees and will also offer voluntary severance incentives to selected other employees.

Hewlett says the job cuts, which will be voluntary, are not in response to any short-term reduction in its business, but are intended to "address workforce imbalances in some of its US facilities created primarily by improved manufacturing techniques and the changing composition of HP products."

The company explained yesterday that many of its products were made of far fewer parts than before, which reduced the need for manufacturing employees.

The early retirement programme will be available on a one-time basis, to US employees who are 55 or older with at least 15 years of service to the company. Those participating will receive half a month's salary for each year of service up to a maximum of 12 months' salary.

French financial giant forced to concentrate

BY DAVID MARSH IN PARIS

CAISSE des Depots et Consignations (CDC), the mammoth French financial institution under parliamentary control, was forced to concentrate lending activities on key sectors last year because of a drop in deposits accruing to it from the French savings network.

CDC said its balance sheet total rose only slightly last year to FFr 1,172bn ($166bn) from FFr 1,155bn in 1984, a 4 per cent drop in real terms, Mr Robert Lion, its managing director, said yesterday.

The institution, which plays a powerful role in distributing funds to local authorities as well as in financing roads and council housing, is an important player on the French financial markets. Last year it made FFr 15.2bn in securities investments and carried out FFr 92.2bn worth of transactions on the bond market, up from FFr 36bn in 1984, making up 13 per cent of the turnover of this market against 9 per cent in 1984.

CDC has been trying to develop financial engineering and off-balance sheet services to compensate for stagnation in its mainstream lending activities.

It increased further its share of the market for mutual funds last year, where total assets gathered through the savings network rose 71.5 per cent to FFr 53.7bn.

However, a switch of French savings into longer term instruments and out of popular savings deposits was underlined by a sharp drop to FFr 124.5bn from FFr 150.7bn in its disposable resources last year.

● Drouot Assurances, the big French insurance company owned by the private sector Axa group, forecasts a further increase in group profits this year following the recent takeover by Axa of the Providence insurance concern.

Mr Claude Bebear, the chairman of Axa and Drouot, said yesterday that Drouot net consolidated profit was likely to rise to FFr 513m ($72m) in 1986, or FFr 43 a share, compared with FFr 37.4 in 1985.

Drouot consolidated net profit in 1985 rose to FFr 380m from FFr 270m in 1984.

Mr Bebear, the victor in a long drawn out takeover battle for Providence with the Compagnie du Midi holding company, underlined that the acquisition would give Axa the necessary muscle to stand up to growing international competition in insurance.

Drouot will take over 94 per cent of the capital of Providence under the terms of the finally agreed takeover offer. Mr Bebear confirmed that, as planned, the Schneider group will divest by the end of the year its 10 per cent share in Providence. In return for the shares, Drouot could take part in financial restructuring being planned by Schneider, Mr Bebear said.

Nixdorf maintains 20% growth

By Our Financial Staff

NIXDORF, the West German computer group, told shareholders yesterday that group turnover so far in 1986 had been growing at the 20 per cent rate that it had averaged in recent years.

Speaking at the annual meeting, Mr Klaus Luft, the managing board chairman, said incoming orders had been good, creating the foundation for a positive business trend over the rest of 1986.

Mr Luft said Nixdorf would strive to bring about a marked improvement in results. He gave no specific profit forecast for 1986, however.

Nixdorf raised its 1985 dividend to DM 10 ($4.41) from DM 9. Turnover increased by 20 per cent to DM 3.93, while net profit rose to DM 172m from DM 120.3m.

Mr Luft, who became chairman after the death of founder Heinz Nixdorf in March, said Nixdorf would seek to list its shares on the Paris and Vienna bourses. Nixdorf shares are already listed in Zurich, Geneva and Basle.

Kuehne & Nagel lifts profits 16 per cent

BY JOHN WICKS IN ZURICH

KUEHNE & Nagel, the international forwarding agents, booked a 18.7 per cent rise in net profits last year to a record level of DM 36.1m ($15.9m). The dividend paid to the joint shareholders, Mr Klaus-Michael Kuehne and the Lonrho group, is to be increased from 10 to 14 per cent.

Speaking in Zurich yesterday, Mr Kuehne said that 1986 should be another good year for the group. However he drew attention to current business conditions and the drop in exports to the US, which made it questionable whether results would be at last year's levels.

The 1985 increase in earnings took place in the face of a fall in group turnover by 6.4 per cent to DM 4.91bn and a 1.8 per cent decline in gross profits to DM 692m, both reflecting the weaker dollar.

According to group finance director, Mr Bruno Salzmann, this was more than offset by the fact that operating costs had risen in D-Mark terms by only 5.8 per cent as the result of a long-standing cost awareness programme.

Of the net-profits total, about DM 13.5m was accounted for by the Swiss-based Kuehne & Nagel International, DM 11.8m by the German division and the remaining DM 10.8m by the Western hemisphere operation to Wilmington, Delaware.

Business is reported to have developed best in a number of European countries, in the US and in Canada.

Mr Kuehne told journalists that the group had an "exceptionally favourable liquidity position." This would enable further acquisitions or participations to round off existing activities in such fields as goods forwarding, ship broking, travel agency operation and insurance agencies.

Amongst new markets, Mr Kuehne said the group would aim at building up its initial presence in China and India. In the medium term Kuehne & Nagel also intended to strengthen its activities in such areas as Scandinavia, Africa and South America.

Executives to 'reconstitute' Genstar

By Robert Gibbens in Montreal

THE TWO top executives of Genstar Corporation, now 98 per cent owned by Imasco, are negotiating a leveraged buy-out of some of Genstar's non-financial services assets.

Mr Angus MacNaughton, chairman, and Mr Ross Turner, president, said in Toronto that they were interested in buying some of the assets to "reconstitute Genstar in some form."

Imasco is retaining Canada Trustco, seventh-largest Canadian financial institution, but expects to sell off the rest of Genstar's assets as soon as possible, including waste management, real estate, marine services and building materials businesses.

This would reduce the net cost of Canada Trustco to about C$1.6bn ($1.15bn).

OIL SLUMP AND WEAKENING PROPERTY MARKET BRING WAVE OF DEFAULTS

Dallas developers bite the dust

BY MARY FRINGS IN DALLAS

THE GROWING pressure on property developers in Dallas – hit by a softening real estate market and low oil prices – was emphasised this week when more than $110m worth of property in the US city was posted for foreclosure.

Banks and savings and loan associations post property for foreclosure when borrowers fall behind on loan payments. If debts on the latest batch of foreclosed assets are not renegotiated, the lenders will suction them on July 1 on the court house steps.

The property in the latest batch of foreclosures is the downtown InSurance Plaza on which Mr Louis G. Reese, a local developer, owes $24.8m and 100 acres of land near Dallas/Forth Worth international airport, on which Triland investment group owes $32.8m.

Many Dallas developers are facing cash-flow problems. Researchers say more than half of all recently completed apartments offer rent holidays, sometimes for as long as 12 months, while incentives for leasing office space frequently include a buy-out of the tenant's existing lease.

This, with retrenchment in the oil and gas industry, has released a flood of low-cost space on to an already glutted office market. Among companies seeking sub-tenants for surplus space is Arco Oil and Gas.

This week's foreclosure list includes four apartment complexes owned by limited partnerships set up by Mr Craig Hall, a Dallas real estate syndicator, whose $2.5bn empire has come under increasing pressure in the last year.

In January Mr Hall announced that he was seeking to renegotiate some $500m of debt, and has since reached agreement with lenders on $270m. But in recent weeks he has placed five partnerships under bankruptcy court protection as well as allowing several properties to fall into foreclosure.

Mr Hall recently signed a contract to sell his Hall Savings Association of Dallas, which has assets of $5.2m and net worth of $3m, to an unidentified investor group.

He is negotiating to sell his other thrift, Resource Savings of Denison, near the Texas-Oklahoma border. Resource is a much bigger operation with assets of $450m and net worth of $17m, lent primarily to develop income-producing apartment complexes.

Market opens in UK property shares

BY WILLIAM COCHRANE IN LONDON

A BREAKTHROUGH in the UK investment markets came yesterday when investors were offered shares in a landmark City of London office building.

It was the first "securitisation" of investment property in Britain, and could herald a spate of similar offers involving commercial properties – other City of London offices, or shopping centres or business parks throughout the UK.

A total of £51.2m ($82m) is being raised by a public offer of bonds and shares representing a financial interest in Montagu House, a 185,000 sq ft blue-glass building erected by S. & W. Berisford and London & Edinburgh Trust in the redevelopment of Billingsgate fish market on the north bank of the Thames.

The offer follows a scheme devised by the American-owned investment bank, Goldman Sachs International, and London merchant banker Baring Brothers.

The shares and stock will be listed on the Luxembourg Stock Exchange. London Stock Exchange rules do not yet allow for such a listing, although sales of securitised investment property are common in the US, and have also occurred in Brussels.

Goldman Sachs and Barings have made plans for a secondary market in the shares and stock. Investors would be able to trade their investments on a daily basis on conventional dealing spreads. The two banks are committed to maintaining the market for 20 years.

Montagu House, soon to be occupied by merchant bankers Samuel Montagu at a rent of £5m a year agreed in July 1984, has been valued at £79m.

The banking team has devised a single asset public property company, or Sappco, named Billingsgate City Securities, as the vehicle for the flotation.

BCS is making a public offer of £52.5m nominal of deep discount first mortgage bonds to raise £35.4m gross of expenses, and 25.79m preferred ordinary shares at 100p each. S. & W. Berisford, the commodity trader which has been the target of a variety of predators this year, gets £59m as net proceeds and will retain a third class of capital, ordinary shares, to itself.

Sunshine offers to swap silver bonds

BY OUR DALLAS CORRESPONDENT

SUNSHINE Mining Company, the beleaguered US silver, oil and gas producer which has closed its biggest silver mine until prices recover, has offered to exchange all four outstanding issues of its silver indexed bonds, amounting to a total of $115m, for new bonds which are indexed to higher amounts of silver and have higher interest rates and earlier maturities.

Previous sinking fund requirements, which called for the annual redemption of a percentage of each of the original issues, will be eliminated, and interest will be payable either in cash or by transfers of common stock.

The company says it is making the exchange offer to increase its financing and operating flexibility and to decrease its near-term debt requirements. After payment of preferred dividends it had a first-quarter loss of $22.5m.

Under the terms of the offer, the indexed principal amount of silver for the three bond issues due in 1995 will be increased from 50 oz to 84 oz and two of the maturities will be shortened by one year. Interest rates of 8 per cent on the first issue and 8½ per cent on the next two will be improved by ½ per cent.

The same interest rate increment applies to the 9⅜ per cent bonds due in 2004. But the bonds offered in exchange will be due in 1995 and will be backed by 72 oz of silver instead of 56 oz. Alternatively, bond holders may elect to receive 250 shares of Sunshine common stock instead of a new bond.

Bausch & Lomb eyes European market

BY ANDREW BAXTER IN LONDON

BAUSCH & Lomb, the world's largest producer of contact lenses, this week embarked on a plan to raise its profile in Europe, where it sees the strongest growth prospects for its products.

The Rochester, New York group, whose pioneering soft contact lenses made it a Wall Street favourite in the early 1970s, has since undergone a major restructuring involving the sale of its industrial products businesses and some traditional eye products like lenses and frames for glasses.

In the process, eye care solutions, used mainly for the cleaning of contact lenses, have come from nowhere seven years ago to become the company's largest single business, making its health care products sector the biggest money-earner, with operating profits of $44m last year, 34 per cent of the total.

Senior executives were in London yesterday talking to UK investment institutions in an attempt to raise the company's corporate visibility. Listings on the London and Tokyo stock exchanges are a possibility, and the group is keen to make acquisitions in Europe.

The company said it was watching the situation in the UK closely, and notes that last year's deregulation was leading to more aggressive promotion of contact lenses by optical retailers, a business it may decide to enter.

In Europe as a whole, B & L sees barriers to optical retailing falling, and hopes to expand its share of the fast-growing solutions market – where its market shares lag behind those for contact lenses.

In the US, B & L has 38 per cent of the $630m-plus solutions market, more than twice the share of its nearest competitor, and would almost certainly meet anti-trust objections to expansion by acquisition.

Despite national boundaries within Europe, the company says regulatory barriers to clinically proven lenses and solutions are less stringent than in the US. Contact lens markets are substantially less developed, and B & L hopes to lift sales of newer contact lens products such as gas permeable lenses, which allow the eye to breathe.

Outside Europe, B & L is attracted by opportunities in China and India, where the situation for the contact lens business is described as 'penetration nil.'

The company admits it is unlikely to be able to acquire its major competitors, either abroad or in the US, and is focusing on its smaller rivals in the solutions and contact lens markets, and in ophthalmic pharmaceuticals.

INTL. COMPANIES & FINANCE

Aegon will buy Spanish insurer

By Laura Raun in Amsterdam

AEGON, the second-largest Dutch insurance company, is buying Union Levantina de Seguros, a full-line Spanish insurer, for about Fl 37.1m ($14.58m) in an effort to strengthen its Spanish operations.

Aegon has already acquired a majority stake in Union Levantina for Pta 7,000 ($485) a share in cash and plans to make the same offer through a public bid for the rest of the shares, which are traded on the Valencia stock exchange. The acquisition is expected to be complete by the end of July.

Mr J.F.M. Peters, Aegon chairman, said the Valencia-based insurer would broaden Aegon's Spanish activities, which had been conducted since 1980 through its Galicia subsidiary.

Union Levantina sells life, accident, health, property and casualty insurance to individuals and businesses through a network of 16 offices across Spain. It earned Fl 1.1m last year and its Fl 79m premium income will increase Aegon's premium income by slightly more than 1 per cent. The Spanish insurer has 320 employees and assets of Fl 145m.

Aegon has been briskly expanding overseas in recent years, especially in the US, and now derives 47 per cent of its revenue from outside the Netherlands.

First Union bank to buy First Railroad

BY WILLIAM HALL IN NEW YORK

FIRST UNION, one of the new generation of US "super regional" banking groups, is to take over First Railroad & Banking of Georgia in a deal valued at $779m.

The purchase is the latest in a string of acquisitions which has more than tripled the size of First Union, based in Charlotte, North Carolina, over the last three years. First Railroad, one of the oldest banks in the south, has assets of $3.8bn and the acquisition, when combined with earlier deals, will boost First Union's assets to about $23bn.

The deal has been agreed by both boards of directors and calls for First Union to exchange 1.08 of its shares for each share of First Railroad.

Over the last 18 months the US southwestern banking market has been in almost constant turmoil as local banks have jockeyed for position to take advantage of the dismantling of barriers to interstate banking. First Union has been one of the most agressive and has made several acquisitions in neighbouring states. It has grown in size to the extent that it nearly rivals North Carolina National Bank, the first bank to establish a local interstate network through acquisitions.

First Union said that once the acquisition is completed it can earn between $2.53 and $2.57 per share in 1986, which is close to the $2.55 to $2.60 per share being predicted by analysts, despite an anticipated 6 per cent earnings dilution from the First Railroad acquisition.

Vontobel to raise SFr 150m

By John Wicks in Zurich

THE STOCK market flotation planned for Vontobel will put 13.5 per cent of the family-owned Swiss investment bank into public hands.

The offer will raise SFr 150m ($82m) and the 15,000 new shares at SFr 10,000 each will be listed on the Zurich over-the-counter market early next month.

After the listing, 71 per cent of Vontobel will be owned by the founding family with 15.5 per cent held by employees. The family will control some 85 per cent of the voting rights in the bank.

The proceeds from the capital increase will be used to strengthen the reserves of the holding company and provide for a future expansion of the bank's share capital.

This announcement appears as a matter of record only.

1,150,000 Shares

Chesebrough-Pond's Inc.

Common Stock

Shearson Lehman Brothers International

Commerzbank Aktiengesellschaft — Credit Suisse First Boston Limited — Dresdner Bank Aktiengesellschaft
Société Générale — Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited — S. G. Warburg & Co. Ltd.
Yamaichi International (Europe) Limited

February, 1986

This announcement appears as a matter of record only.

SKÅNE - GRIPEN AB

The Gripen Group

250,000 "B" Free Shares

The undersigned arranged the placement of these Shares.

Shearson Lehman Brothers International

May, 1986

This announcement appears as a matter of record only.

RECORDATI

Industria Chimica e Farmaceutica S.p.A.

3,240,000 Non-Convertible Savings Shares

The undersigned arranged the placement of these Shares.

Shearson Lehman Brothers International

May, 1986

This announcement appears as a matter of record only.

1,600,000 Units

Fireman's Fund Corporation

1,600,000 Shares of Common Stock of Fireman's Fund Corporation
and
1,600,000 Warrants to Purchase
800,000 Shares of Common Stock of Fireman's Fund Corporation

Shearson Lehman Brothers International — Salomon Brothers International Limited

Banque Nationale de Paris — Commerzbank Aktiengesellschaft — Crédit Lyonnais
Credit Suisse First Boston Limited — Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft — EBC Amro Bank Limited — Lloyds Merchant Bank Limited
Morgan Guaranty Ltd. — The Nikko Securities Co., (Europe) Ltd.
J. Henry Schroder Wagg & Co. Limited — Société Générale
Swiss Bank Corporation International Limited

May, 1986

This announcement appears as a matter of record only.

2,875,000 Shares

The Prospect Group, Inc.

Common Stock

Shearson Lehman Brothers International

Banque Nationale de Paris — Credit Suisse First Boston Limited
EBC Amro Bank Limited — Euromobiliare — Générale de Banque
Kansallis Banking Group — Svenska Handelsbanken Group
Swiss Bank Corporation International Limited

May, 1986

This announcement appears as a matter of record only.

Pargesa
HOLDING S.A.

13,830 Shares

The undersigned arranged a secondary block trade of these Shares.

Shearson Lehman Brothers International

May, 1986

Leadership In Global Equity Markets

INTL. COMPANIES & FINANCE

New bank proposes NSW building society takeover

BY LACHLAN DRUMMOND IN SYDNEY

NATIONAL MUTUAL Royal Bank (NMR), a newly formed Australian banking venture, has moved to increase its retail market presence and its geographic spread with plans to take over United Permanent, the country's third largest building society, at a cost of at least A$120m (US$82.2m).

If the deal proceeds, it would be the fifth largest full-service national banking group in Australia, although less than a seventh the size of the next biggest, the state-owned Commonwealth Bank.

NMR is owned jointly by the National Mutual, the second largest life office, and Royal Bank of Canada.

NMR's plans were announced jointly with the United. They have been joined, however, by a rival proposal from Advance Bank, which last year transformed itself from the New South Wales Building Society to bank status and this year completed the first takeover by a bank of a building society with its acquisition of Canberra's Civic society.

United has total assets of A$1.6bn, 130 branches, 800 employees, and 760,000 accounts, and would take the NMR Bank's total assets to more than A$5bn.

NMR intends to continue expanding it retail presence with ambitions to make a similar building society move in Queensland. United operates only in New South Wales, while NMR has already transformed its Victoria building society to bank status.

United, as with most other building societies, is owned through withdrawable shares notionally issued to depositors and effectively has no traditional ownership base, making the takeover complex.

The society will first incorporate and become a savings bank, with the new owner offering A$60m of interest rate concessions or premiums to existing borrowers and depositors over two to three years, to reflect a purchase price.

It will inject another A$60m of capital into its expanded savings bank group. The existing A$53m of reserves in the society will be held in trust but will form part of the operating capital base.

Advance Bank intends offering its own shares to depositors in United, once it completes the same incorporation process which Advance undertook last year.

Tung asks for ordered ships

BY YOKO SHIBATA IN TOKYO

C. H. TUNG, the Hong Kong shipping group and its creditor banks have gone all out to persuade Mitsubishi Heavy Industries (MHI), the Japanese shipbuilders, to reverse an apparent decision earlier this week, to withhold delivery of four container vessels to the Tung group.

Under Tung's restructuring programme drawn up a month ago, the group was to cancel 12 vessels out of 24 ordered from Japanese yards, centring its rescue plan on the remaining 12 new container ships including the four from MHI.

MHI's resistance to Tung's revised payment terms comes as the latest hitch in the tortuous restructuring of the Hong Kong group. Other supplies such as Ishikawajima-Harima Heavy Industries (IHI) may take similar action.

The Tung group has offered terms with a discount of as much as 20 per cent, angering the Japanese yards. Moreover, Mitsubishi has said the yen's appreciation of about 40 per cent since the original orders were placed meant that the vessels were likely to be sold at a substantial loss.

Mr C. H. Tung himself flew from Hong Kong to see MHI on Wednesday. Bank of Tokyo, which organised the five-strong syndicate extending $250m for tha 12 vessels has been joined in addition by at least one foreign member bank in attempting to resolve the impasse.

Senior officials of the Japanese Ministry for International Trade and Industry (Miti) called in Mitsubishi executives yesterday. According to the Miti officials, the ministry is concerned that the withholding of Japanese-made vessels ordered by Tung could lead to difficulties in Japan's trade relations with China.

Chinese interests are participating indirectly in the Tung rescue, in part reflecting Peking's desire for Hong Kong goodwill ahead of the reversion of the territory to China in 1997.

Mitsubishi told Miti that laying up the four container ships would produce an interest payment burden alone of Y160m ($962,000) a month.

China hints at allowing foreign insurers

BY ROBERT THOMSON IN PEKING

THE POSSIBILITY of the Chinese Government allowing foreign insurance companies to operate in China is "always under consideration," according to Mr Lin Zhenfeng, vice-president of the People's Insurance Company of China (PICC).

Collected insurance premiums have grown at a rapid rate in recent years, with an increase last year of just under 80 per cent, and the Chinese Government continues to push insurance as a means of raising funds for development. Industry observers have generally held that China would be reluctant to let go its tight grasp on the business.

Mr Lin told a press conference that no firm plans had been made for breaking up the monopoly of the state-run People's Company, but such a move is a possibility under the present economic reform programme.

The press conference was also told that China would host the fifth general meeting of the Third World Insurance Congress and the third meeting of the Association of Insurance Supervisory Authorities of Developing Countries, which will be held simultaneously in Peking from June 23 to June 27.

A problem area for PICC has been accident insurance. China has an extraordinarily high accident rate because the road consciousness of the masses has not been raised and more cars are on the road each year.

Loss at Nippon Cargo Airlines

NIPPON CARGO Airlines (NCA) yesterday reported a net loss of Y3.83bn ($23m) on turnover of Y19.27bn in its first year to March, Kyodo reports from Tokyo.

NCA started operations with six weekly flights between Narita Airport, Tokyo, and New York in May 1985, a month later than scheduled because of the trouble-plagued Japan-US civil aviation talks.

Officials blamed the loss on the delayed inaugural flights and slow US air cargo demand.

In the current year, the company expects an operating loss of Y2.3bn even if it is allowed to add three more weekly flights on the Narita-New York route and to begin flying into Hong Kong and Singapore during the period.

Mitsui & Co ahead 15%

By Our Tokyo Staff

MITSUI & CO, tha Japanese trading house, and its group companies lifted net profits 15.4 per cent to Y11.67bn ($70.17m) in the year to March, mainly as a result of an improvement in non-operating income and the sale of shares in some subsidiaries.

Turnover, eroded by the yen's sharp appreciation, advanced only 2.7 per cent to Y18,081.55bn.

Exports rose 2.2 per cent and domestic sales were up 6.9 per cent while trade between third countries—centring on crude oil and machinery—advanced by 8.9 per cent. However, imports suffered a 9 per cent drop, affected by the collapse of oil prices and a fall in steel and food purchases.

Mitsui said the yen's appreciation cut its turnover by Y1,280bn.

For the current year, consolidated turnover is projected at Y17,000bn, down 6 per cent and affected by the surga of the yen and falling crude prices.

India Fund increased by 50% to £60m

By Chris Sherwell in Singapore

INDIA FUND, the country's first fund to manage international capital to be invested in Indian equity markets, will amount to £60m ($91.6m) about 50 per cent higher than previously planned, as a result of an enthusiastic initial response from Europe, the US and Asia.

The fund will be managed by Unit Trust of India, an Indian investment trust, and marketed abroad by Merrill Lynch Capital Markets, the largest securities house in the U.S. It will give foreign investors their first chance to participate in India's large stock market.

With the increase in size from $60m, the fund will be on a par with the longer-established Korea Fund, which now stands at $100m after a second issue last month. Unlike most of its counterparts, however, the India Fund will allow individual as well as institutional participation.

Its backers will launch a campaign to secure support next week, starting in London and Edinburgh and moving on the following week to New York and Boston. A London listing will be sought.

Institutions in Europe, the US, Hong Kong, Singapore and elsewhere have shown keen interest in taking part. At an individual level Unit Trust of India and Merrill hope to tap the Indian communities in the UK, the Middle East and South East Asia by offering £1 units in blocks of 1,000 shares.

Part of the interest is explained by the fact that the fund offers an indirect way into the Indian market, which is otherwise closed to outsiders. There is also a feeling that the recent strength of most stock markets abroad may soon falter, whereas India's, despite a surge last year, may have some way to go.

If the £60m target is reached, the India Fund will enjoy a better start than its counterparts for Korea, Taiwan or Thailand. The Bangkok Fund, coincidentally also handled by Merrill, suffered badly from unfortunate timing and raised around $11m, below the originally targeted $15m to $20m.

David Marsh reports on a minor revolution at France's foreign trade bank

BFCE forced to adopt a higher profile

THE GRADUAL shift towards deregulation of the Paris financial markets is sparking off a minor revolution in the club-like parlours of Banque Française du Commerce Exterieur (BFCE), France's state-controlled trade bank.

For 40 years, BFCE, owned by a select grouping of the country's biggest banks and financial institutions, has made a comfortable, if unexciting, living providing subsidised loans for France's post-war foreign trade expansion.

It has grown to become the nation's ninth largest bank in terms of assets, and one of the most important behind the Big Three nationalised banks in terms of loans to French industry and commerce.

Even so BFCE's greatest exposure to the limelight to date came nine years ago when a priceless collection of 13th century carved heads of kings long missing from Notre Dame cathedral, were found in a courtyard at its headquarters near the Paris Opèra.

Today competition is forcing the bank to adopt a higher profile. The shift is not entirely to the liking of the other big banks, which see BFCE encroaching into their own commercial backyards.

Liberalisation of France's export credit procedures, slower growth in French exports to heavily-indebted developing countries, and growing demand for more sophisticated services for corporate clients are all combining to bring BFCE into greater competition with mainstream commercial banks.

The shift risks injecting an element of rancour into the French banking scene, where BFCE occupies a unique hybrid position.

Around one-third of its balance sheet of FFr 263bn ($28.5bn) is made up of commercial lending. Two-thirds represents its "institutional" role. This is made up of lending to exporting companies (suppliers' credits) and importing countries (buyers' credits) under official financing schemes, with the latter category including the refinancing of the growing number of loans to the Third World rescheduled under international agreements.

BFCE is the only subsidiary of the Bank of France, which owns 24.5 per cent of its FFr 1bn capital. The official financing organisation, Caisse de Paris, Crédit Lyonnais and Société Générale—as well as Crédit Agricole and Crédit National each own 10 per cent.

BFCE's effort to build up its commercial activities is an inevitable consequence of the state's move to reduce gradually subsidised credits throughout the economy and to lower barriers between different French financial sectors. Underlining the pressures on BFCE's traditional business, its export credits total fell sharply for the first time to FFr 144.6bn at end-1985 from FFr 170bn in 1984, reflecting above all a drop in large French export contracts.

The previous Socialist government brought in measures both to phase out subsidised export credits for the richer category of importing countries and to open up export credit procedures to greater competition among the country's banks.

Since the beginning of the year, the BFCE no longer functions as the window through which the Bank of France makes available cheap discount finance for exports. Instead, the Treasury now channels sums directly to the bank to lower the cost of export credits to poorer countries—a procedure which is considerably more transparent than the old one.

The moves have stripped the BFCE of some of its privileges. But the Big Three banks — which are earmarked for a special dose of liberalism under the new Right-wing Government's denationalisation programme complain that BFCE is being encouraged to develop its commercial banking side with too many advantages still intact.

As an example, under the ending of subsidies on export credits to richer countries, commercial banks now have to try to raise loans from the capital market to back exports to these clients. If they are unable to secure the funds at internationally competitive interest rates, the BFCE has been given a monopoly to carry out the business itself.

A senior executive of one of the Big Three, who has a precise insight into BFCE's accounts because of his bank's shareholding, says BFCE has been given a potentially highly beneficial "safety net" rule in case the export credit liberalisation proves unworkable because of a renewed rise in French interest rates.

Mr Michel Freyche: seeking "the freedom open to other banks"

He believes BFCE's low profitability as well as its relative smallness restricts its competitive muscle in commercial banking. But the executive complains that the line between BFCE's institutional and commercial activities is not clear. The bank—highly active on international capital markets, where it raised FFr 8bn last year—is the only French bank allowed to raise funds abroad with a formal state guarantee. "They are sometimes a public bank, sometimes a private bank. I call that unfair competition."

BFCE describes as a natural evolution its move to capitalise on commercial banking expertise which it has traditionally kept under wraps. In previous years the bank held back from providing medium-term suppliers' credits because it had the monopoly of granting long-term loans in this area. It also tailored its foreign expansion to the wishes of its shareholder banks—one of the reasons why it chose to open its only foreign branch in Continental Europe in Milan rather than in West Germany.

Now, BFCE will be less restrained. "The role of the bank in working for the state will diminish," says Mr Michel Freyche, who took over as chairman in 1982 after a long career as a senior economics civil servant. "This raises the question of developing other activties."

"Now that our intervention is less automatic, we can discover the freedom open to other commercial banks." Mr Freyche says it is "not inconceivable" that the proportion of commercial to "institutional" business could shift towards 50:50 in the next few years as BFCE builds up its general activities in servicing corporate clients.

The bank also faces the difficulty common to the rest of the industry of exposure to problem clients. Reflecting a mixture of sovereign risks and those on troubled French industrial groups, provisions on its lending risks came to FFr 444m last year—dwarfing its slender net profit of FFr 60m, which rose 8 per cent from 1984.

Having no retail banking activity, BFCE has not been able to find a substitute—as some French banks such as Société Générale have done—by building up a high-margin personal loans business. The only course open has been an effort to expand on its customer base of 3,000 French companies to develop "tailor-made" banking packages outside the specific export credit area.

With big companies becoming more efficient in shaving down margins on traditional loan business — where many of them now borrow at close to money market rates—BFCE has also gone flat out to increase its earnings from financial services. Including its income from export credit commissions—likely to decline in coming years—these presently account for about 40 per cent of its operating profits, against 60 per cent from interest earnings.

To boost the all-round nature of its activities, BFCE is trying to build up its expertise in venture capital as well as in financial market dealing.

One of the biggest structural borrowers on the French money markets, it has profited from its strong links both to institutional lenders and to corporate treasurers to become a leader in dealing in the newly-developed French commercial paper market. It is spending FFr 120m over three years in building and equipping with computerised systems a new financial dealing room to centralise treasury and financial market operations.

One of BFCE's principal selling points in a battle to win corporate client business is that it can offer a more streamlined service, and quicker decisions on credit requests, than the Big Three. Some of its clients say, however, it could still make an effort to improve efficiency.

In an increasingly competitive banking atmosphere, it will be up to BFCE to prove in coming years that it has succeeded in making the transformation from a public service bank to a more dynamic animal. The somewhat sceptical chairman of a large foreign bank in Paris sums up the challenge: "It's a difficult task —BFCE has to change its internal culture."

INTL. COMPANIES & FINANCE

Stefan Wagstyl on the problems facing a mining house's new chief

Gencor pins its hopes on an outsider

MR DEREK KEYS does not believe in wasting time. He has had considerable impact since his appointment less than two months ago as chief executive and chairman-elect of Gencor, South Africa's second largest mining and industrial finance house.

The choice of an English-speaking outsider with no experience of mining to head the struggling Afrikaner-owned company caused widespread surprise in Johannesburg's business community — not least inside Gencor itself. The company's shareholders had been expected to find a replacement for chairman Mr Ted Pavitt, who retires in August, within the company — from a five-man executive committee which Mr Pavitt chaired.

Mr Keys' appointment soon prompted the resignation of Mr Johan Fritz, the 56-year-old director in charge of mining. Mr Fritz said publicly that he was going because he had been passed over for the top job. Earlier this month came the announcement of the retirement of 56-year-old Mr Basil Landau, the executive director responsible for Gencor's poorly-performing industrial interests.

Gencor has been beset with difficulties since the group was formed in 1980 when the Afrikaner-owned General Mining took control of Union Corporation, extending Afrikaner influence in mining, an industry traditionally dominated by the English-speaking community.

The takeover led to a conflict between Dr Wim de Villiers, Gencor's chairman, and Mr Andreas Wassenaar, chairman of Sanlam, the Afrikaner life assurance company which controls Gencor through a holding company called Federale Mynbou.

Dr de Villiers resigned in 1982 after an acrimonious public row, leaving a power vacuum at Gencor that was eventually filled by the creation of the executive committee under Mr Pavitt.

At the same time, Gencor started expanding its industrial interests rapidly, in the belief that the outlook for metals, especially base metals, in the 1980s was poor. But the group was caught out by the recession which hit the domestic South African economy, and by higher inflation and interest rates. These pushed up the cost of financing the heavy new investments. In 1984 a R410m rights issue was made to relieve the pressure on the group's balance sheet.

The biggest project, a R1.6bn expansion at Sappi, South Africa's biggest papermaker, was plagued by cost over-runs and technical difficulties. Two other industrial businesses in Mr Landau's portfolio ran into severe financial trouble—the Kanhym farming interests and the Tedelex television and electrical division. All three companies had to raise fresh funds last year with rights issues underwritten by Gencor, which left the parent group taking up unwanted stock.

To cap it all, Gencor made some expensive mistakes in the currency markets, making uncovered forward purchases which cost R200m in 1984. Last year, following a ban on uncovered dealings the group's losses were limited to just R8.4m, despite the precipitous fall in the rand.

However, overall, mining insulated the group from the worst effects of its industrial interests performance. Gencor successfully floated shares in Beatrix, a newly-developed gold mine. While industrial profits slid from R137.3m in 1983 to R26.4m in 1984 and R10.8m last year, group attributable income slipped from R310.6m to R275.5m and then recovered to R458m over the same period.

A recovery on the industrial side is expected but it will have to go a long way to achieve "respectable" results. Last year these assets accounted for 33 per cent of shareholders' equity but only 2.3 per cent of the net profit.

Mr Pavitt once dismissed arguments that the group's difficulties stemmed from the structure created in the 1980 merger as "a journalistic ploy." Mr Keys thinks otherwise. He says that the cultures of two companies were very different and they were never welded together. "It should have been done a few years ago." This conclusion echoes the findings of a report by management consultant Arthur D Little carried out before Mr Keys's arrival.

The 54-year-old self-made millionaire has the right credentials for the job of corporate welder. An accountant by training, he worked for nine years for the state-controlled Industrial Development Corporation and helped to establish the National Discount House, South Africa's first money market company. Subsequently he bought into Malcomess, an ailing farm equipment manufacturer, turned it around and merged it with Bakke, a packaging company, to create a new company Malbak. Last year, he pulled off a much larger coup by reversing Malbak into Protea, a chemicals-to-electricals holding group.

The merger enhanced Mr Keys's reputation with senior management at Sanlam, which had helped to finance the deal, and he was offered the top post at Gencor. Sanlam executives say the company wanted Mr Keys because of his track record, his ability to motivate others and his drive.

Johannesburg financial analysts believe Sanlam made a good choice. One said: "Morale at Gencor is so low that it needs someone from outside to revive it. If anyone can do it Derek Keys can."

Mr Keys sees his first task as reforming the management structure Gencor inherited from the merger. He says the group needs a flatter management structure with fewer layers and greater responsibility for individual managers. "We need to replace rule by committee," he says.

Johannesburg financial analysts believe that the troubles of Gencor's industrial interests have obscured some of the potential of the group's gold, platinum, coal and base metals, on which profits are mostly earned overseas and so are boosted in rand terms by the continuing depreciation in the currency. However, a further re-rating of the group would depend on a marked improvement on the industrial side.

Gencor shares have risen sharply since Mr Keys' appointment was announced in April. They yield 4.5 per cent, above the average for South African mining houses and above the leading group, Anglo American Corporation. The shares of which trade at a yield of 3.9 per cent. Mr Keys has some way to go to make up the difference.

MR KEYS believes that South African businessmen must adapt to political, social and economic change rather than try to influence its course.

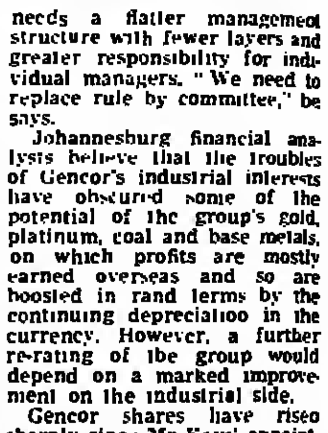
His views are different from other Johannesburg business leaders, notably Mr Gavin Relly, chairman of Anglo American Corporation, who think that business needs to apply pressure on the Government of President P. W. Botha to bring about political reform.

Mr Keys says: "It's not that I don't want to influence politicians. It is that I don't think I can. A cabinet minister can run rings around the average businessman when it comes to non-quantitative issues."

Mr Keys believes that South African companies must continue to make the best of the difficult conditions in which they operate. They have to continue investing at home because exchange controls make it punitively expensive to invest abroad.

"There are no perfect investment decisions in South Africa. We have to pick the most attractive one. You (foreigners) look at the situation in the world context. We don't have that luxury—we look at things in the South African context."

Mr Keys is probably more open-minded than most Johannesburg executives on the extent of the political changes he believes he could cope with. Asked if he could continue as Gencor's chief executive if the group was nationalised by a possible future black majority government, he said: "Sure."



Mr Derek Keys: priority for management structure reform

Citicorp first foreign bank to tap Euroyen market

BY CLARE PEARSON

CITICORP became the first non-Japanese bank directly to tap the Euroyen market yesterday with a Y20bn financing led by Citicorp Investment Bank. Daiwa Europe and Yasuda Trust were co-lead managers.

As a number of other issues for foreign banks are expected, the 6½ per cent seven-year bond, priced at 101⅞, met a cautious response from investors. It traded at discounts to issue price slightly outside its fees, despite the fact that traders viewed its terms as fair.

Foreign commercial banks are being allowed to launch Euro-pean bonds provided the pro-ceeds are not brought into Japan for lending. Certain Japanese banks are also per-mitted such issues.

Although banks have been free to borrow since the be-ginning of this month, so far only Bank of Tokyo and Citi-corp have done so, with deals led by their subsidiary com-panies.

Dealers were surprised that Citicorp was the first foreign bank to issue, since there had been speculation that Barclays Bank would be the debut bor-rower. Bankers say that other issuers have delayed planned bonds in view of the weakness of the market and thin swap opportunities.

In the dollar sector Credit Suisse First Boston launched a $150m eight-year deal for Sweden. At the time of launch, the market was buoyed by a US Treasury market improving on the back of a 0.1 per cent drop in May retail sales. Sweden's bond traded at dis-counts to issue price around the levels of its total fees. Dealers regarded its 8½ per cent coupon and 99¼ issue price, giving a spread over US Treasury bonds at launch of 46 basis points, as attractive.

Elsewhere in the dollar fixed-rate market, Marks and Spencer's recent $150m 10-year bond traded at a margin over US Treasury bonds of about 25 to 30 basis points narrower than at launch.

In the sterling market, Abbey National borrowed float-ing-rate funds for the second time with a £200m deal brought seven-year bond, paying 10 basis points over three-month London interbank offered rate and prices at 100.05, follows a 15-year floating-rate note (FRN) launched last October.

As new sterling FRN issues have been thin on the ground recently, this bond met a strong reception. It was bid yesterday morning well within 24 basis point fees.

Toronto Dominion Interna-tional launched a C$75m deal for T-D Mortgage, guaranteed by parent Toronto Dominion Bank. The five-year bond pays 10 per cent coupons and has an issue price of 100⅛. As the Canadian dollar market has been depressed recently, the lead-manager said it expected the bond to move slowly, although a support bid price of 98.75 was quoted.

Bank of Tokyo International arranged a $50m three-year deferred coupon FRN for Belgian Generale Bank. There is no interest payment or accrual during the bond's first year of life, but thereafter interest payments are at 295 basis points over six-month Libor. Fees total 20 basis points.

In Continental currencies, trading was quiet but prices edged up by about ⅛ per cent in the D-Mark sector. In the Swiss franc market prices drifted lower by about ⅛ point.

The French franc market saw a new equity-related bond for Societe des Ciments Francais, the cement company. This was not included in the June calen-dar, since equity-related bonds may be issued on a more informal basis than fixed-rate bonds.

The FFr 350m issue was led by Banque Paribas. The coupon was set at 6¼ per cent. The bond matures in 10 years time, and any unconverted portion at that date will be repaid in shares. Pricing will take place on June 18, but the conversion premium is expected to be at at 15 per cent over the share price.

Despite the lacklustre state of the fixed-rate French franc market, this convertible issue was enthusiastically received by investors, and traded at a bid price of 99 against a par issue price.

Alexander Nicoll on the controversy surrounding the role of inter-dealer brokers

AIBD market-maker proposals under fire

AT THE Association of Interna-tional Bond Dealers' (AIBD) annual meeting in Singapore last month, controversy centred around a document that most participants had not even seen. Since traders returned to their desks and read it, passions have been running even higher.

The argument has brought the impending regulation of London securities markets into the spotlight for many Euro-bond traders. But even more sensitive is the revival of a question which has caused strife in the Eurobond market for a decade: What should be the role of inter-dealer brokers?

At issue is a set of rules for making markets in Eurobonds proposed by the newly-formed secondary market-makers' com-mittee—itself set up under AIBD auspices after a separate splinter group was formed and then disbanded.

The idea is to establish a register of "reporting dealers" and to set out the commitments this would entail. "We're form-ing a club to cater to the wants of market-makers," says one committee member. Reporting dealers would have to meet re-quirements on how many issues in which they made two-way prices, when they did so, to whom, and what they disclosed about trades and prices. Firms not meeting these stipulations could be expelled from the club by the committee.

Underlying the proposals is a view that a market which traded $2,200bn of bonds last year could no longer afford to be too loosely-knit. "Sunshine traders," who make prices in fair weather but are nowhere to be found in foul, should not enjoy the same privileges accorded to true market-makers — that is, the commitment of a market-maker to deal with them. The rules would establish a basis for dealers to trade with one-another, with the aim of aiding liquidity while cutting out the "hanger-on."

The rules should not be con-fused with the requirements, still not defined, that the AIBD will have to meet if it is to be recognised as a self-policing investment exchange in the new regulatory structure of London securities markets now being set up. Market-makers probably make up only some 80 firms, mostly London-based, out of the AIBD's 800-strong membership.

Meeting standards

Yet they obviously represent the core of the secondary market, and any steps they take to set up a market structure, including provisions for dis-closing traded and closing prices, will help towards meet-ing the UK standards. Mr John Wolters, AIBD secretary general, told members in the May circular, that, once the dealers' register is established, "all AIBD market information services will from then on be based exclusively on data trans-mitted by registered dealers."

The first aspect of the pro-posals which caused irritation was the manner of their publi-cation. They landed on dealers' desks in Europe after many had already taken off for the festivities in Singapore, but were not distributed at the meeting there. Dealers were asked to sign application forms which appeared to commit them to observing the rules proposed by the committee. These sensi-tivities appear to have been smoothed over for now as the committee has made clear that all the proposals will be fully discussed, and not dictated, at a meeting of would-be market-makers in London on July 11.

But the festering issue is the role of brokers. According to the proposals, the committee would compile a list of recog-nised inter-dealer brokers which undertook to transact business only between report-ing dealers. By the end of each day—and this is the crunch—the identities of all counter-parties to such trades would be disclosed to each other.

Brokers have operated in the Eurobond market only for about half of its 20-year life. The rationale for dealing through brokers is the anonymity they provide for traders unwilling to tip their hands to competitors. This is particularly apealing to US houses, which are accus-tomed to dealing in this way on Wall Street. Yet it is a two-edged sword, since the anony-mity also leads to suspicions in the market that brokers make prices to the dealers' end-customers. Brokers deny the charge.

The proposed rules do not apply to what could be even more of a minefield: the grey market in which new bonds are traded on a when-issued basis. That falls under the jurisdiction of the International Primary Market Association. In the grey market the role of brokers is even more controversial, since co-managers often unload hold-ings of new bonds anonymously through brokers while the lead manager is supporting the price. Many lead managers would favour the disclosure of coun-terparties in the grey market because they feel it would pre-vent co-managers from taking on unwanted commitments and lead to fairer pricing of issues.

But in the secondary market, there is considerable opposi-tion—and not just from US houses and the brokers them-selves—to the proposed dis-closure of counterparties.

Anonymity at risk

Three years ago, the full AIBD conference narrowly voted down a ruling which would have forced member brokers to deal only with market-makers. The current proposal is an attempt to achieve the same end through a different route.

On senior London trader says: "It's all due to the old school that wants to trade dealer-to-dealer. I do not want to make prices to my competition. The whole point of dealing with brokers is anonymity. Some-times we get orders which take a couple of days to execute. Under these rules, our name would be given up as soon as we had done part of the order. The idea of giving up names is completely unacceptable and will be unenforceable."

Mr Sandy Joyce, whose firm, Purcell Graham, pioneered Eurobond broking, believes that even some committee members are against disclosure of names. He also points out that Purcell Graham, which is an AIBD member, could continue making markets and would not be required to register as an inter-dealer broker.

"Why should we publicise to the world who we're doing business with?" he asks. "People would take note, and say let's do business directly, and cut out the broker."

One argument advanced for disclosure is that sizes of individual deals are getting larger, increasing the credit risks involved in dealing through a broker.

Another issue initially raised by the proposals was the sug-gestion that reporting dealers should make markets in at least a quarter of a given sector of the market to at least two-thirds of market-makers. This is seen as potentially reducing liquidity in issues which are already illiquid. But the commit-tee has indicated that it is willing to be flexible, and this is no longer seen as a serious problem.

Informal gatherings are tak-ing place at present to clarify firms' positions on the new rules. They are setting the scene for what promises to be a lively debate on July 11.

DM monthly calendar dropped

BY OUR EUROMARKETS STAFF

THE BUNDESBANK yesterday said that it was abolishing the monthly, publicly announced new issues calendar for D-mark Eurobonds as from next month. Instead, there will be private, fortnightly registration of new deals.

The decision comes in the wake of criticism that the monthly registration procedure was destabilising the market since unrealistically large calendars were being filed.

West German bankers have been pressing the Bundesbank to shorten the calendar for some time, but did not expect a decision so soon. They were pleased to see that registration would be private, since there-had been fears that two-weekly publicly announced timetables would only upset the market further.

In May, DM 18.7bn of new bonds were scheduled, whereas only DM 4.5bn materialised. So far this month, only DM 925m, comprising seven issues, has appeared out of DM 16.9bn on the calendar.

Borrowers have been filing for issues which have depended on the appearance of swap opportunities, which cannot be assessed on a monthly time-scale. Fortnightly registration should make it somewhat easier to assess market conditions.

World Bank in 15-year Samurai issue

By Peter Montagnon, Euromarkets Correspondent

THE WORLD BANK has launched a Y30bn, 15-year bond issue in the Japanese domestic market, the first of an innova-tive series of bonds designed to boost the appeal of its paper to local investors.

The issue, which carries a 6 per cent coupon and an issue price of par, will be known as series 34 and may be merged with any subsequent bonds carrying the same coupon and maturity date to create a large block of World Bank paper in the so-called Samurai market.

The World Bank believes that this will add to the trading liquidity of its paper in Japan, although initial reception of the bond was lukewarm because of what investors perceived as its aggressive pricing.

This is the first time that the World Bank has launched an issue with a life as long as 15 years in the Japanese market. Previously the longest average life of any issue by the bank was 13½ years.

The World Bank also said that the Japanese enthorities have not before permited the issue of bonds in fungible series form for any issuer other than the Japanese government itself.

The offering was launched through a syndicate of securi-ties firms led by Nikko Securi-ties in association with a group of commissioned companies headed by Industrial Bank of Japan.

NatWest Investment Bank opens doors next Monday

BY DAVID LASCELLES

NATWEST Investment Bank (NWIB), the investment bank-ing arm of the National West-minster Bank, is to open its doors next Mooday.

The new entity, which will have capital of £311m, will com-bine the London stock exchange operations acquired by NatWest over the last two years, with County Bank, its merchant bank, as well as fund manage-ment and other corporate finance and capital market operations in the UK and abroad.

Mr Charles Villiers, the chief executive, said the formation of the group was a crucial step in NatWest's move towards global investment banking, and was intended to meet growing competition in the world finan-cial markets from the US and Japan.

The new group, which was first announced last year, will have five major operating divi-sions: County (advice and finance), County NatWest Capi-tal Markets (debt securities), County Securities (equity securities), County Personal Financial Services, and County Investment Management.

Its main overseas operations will be in the US (where Nat-West has applied for permission to supply brokerage and research services) and Japan, where a securities dealing licence is being sought.

Setback for Harrisons

BY OUR FINANCIAL STAFF

HARRISONS Malaysian Planta-tions suffered a 33.8 per cent de-cline in pre-tax profits to 129.4m ringgit ($49.5m) in the year to March, affected by weak commodi-ty prices and severe competition.

The company warned yesterday that, although levels of crop produc-tion were expected to be main-tained in the current year, prices particularly for palm products "con-tinue to be depressed and, unless there is an improvement, the re-sults for the year will fall short of the year just ended."

Turnover for 1985–86 fell from 1.06bn ringgit to 754m ringgit while investment and other income was flat at 20.8m ringgit.

Net earnings per share emerged at 18.7 cents against 29.1 cents. Har-risons proposes to pay a total divi-dend of 50.76 cents against 76.13 cents.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on June 12

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Nippon Elec. 2⅛ 2000	1/85	1298	176½	177½	−6¼	96.24
Nippon Oil Co. 3 2000	5/85	923	†192¼	193¼	−1⅛	−1.97
OKI Elec. Ind. 3½ 99	10/84	885	†142½	143½	+1⅛	−2.94
Sanwa Bank 2⅛ 00	10/85	1486	126½	127½	+6⅜	0.35
Sekisui House 3 99	6/84	612	269	270	+2	−0.19
Sumitomo Bank 2⅛ 2000	9/85	2142	126¼	127¼	+6⅞	0.98
Sumitomo Corpn. 2⅞ 99	5/84	993	†282½	283½	+6¼	9.81
Taiyo Yuden 3⅛ 2000	3/85	1678	†234	236	+2½	−2.37
Tokyo Sanyo Elec. 3½ 99	12/84	772	†221⅛	222⅛	0	58.84
Toshiba Ceramics 3 2000	4/85	1734	†130¾	131¼	+2	2.97
Nippon Oil Co. 2⅝ 92 SFr	3/84	1052	†134¼	134⅞	−1⅛	1.81
Nippon Shinpan 2 92 SFr	3/84	885	†256	260½	+7¼	16.34
Adia 5 92 DM	12/85	3520	158½	159½	+5¼	9.18
Renown 3⅛ 90 DM	3/85	675	†152¼	153¼	+2¼	−3.73

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

HK approves money market unit trusts

HONG KONG'S Securities Com-mission is to approve the establishment of unit trusts, investing in money market instruments denominated in Hong Kong dollars, AP-DJ re-ports.

The commission will examine each application to create such trusts individually. It will set a minimum level of subscription by each investor at HK$50,000 (US$6,400) and require at least 30 per cent of a trust's assets to be placed on call with banks or deposit-taking companies.

The trusts would be per-mitted to invest only in approved capital market instru-ments. They would be allowed neither to use the word cash in their names nor to compare themselves in advertisements to banks or DTCs.

The conditions are aimed at diluting the impact of the trusts on Hong Kong's long-standing interest rate agreement, under which the Hong Kong Associa-tion of Banks sets the maximum rate banks are allowed to pay.

Some bankers and analysts had warned that money market trusts could undermine that agreement by allowing investors access to the higher interest rates of the interbank market.

Euromoney offer closed

By Our Euromarkets Correspondent

THE INTERNATIONAL share offer by Euromoney Publica-tions closed early yesterday when Merrill Lynch set a price of £4.60 on each of the 3.17m shares on offer.

The price is above the initi-ally indicated minimum of £4.50 and results in an effective mar-ket capitalisation of Euromoney at £92.55m.

Merrill Lynch said the offer, which takes the form of a Luxembourg-listed international depositary receipt issue, had attracted substantial inter-national interest.

UK COMPANY NEWS

Weak dollar hits Beecham profits

BY MARTIN DICKSON

Beecham Group, the pharmaceuticals and consumer products company, coupled its announcement yesterday of an asset disposal programme with 1985-86 financial results showing pre-tax profits only slightly up, totalling £303.8m compared to a restated £299.8m.

The figures were adversely affected by the fall in the US dollar, with currency translation differences reducing pre-tax profits by £21.2m. The second half saw a 7.2 per cent growth in taxable profits, compared to a first half decline of 5 per cent, when restated at year end rates, while the company said it showed an encouraging improvement in growth.

Lord Keith of Castleacre, who took over as chairman late last year when Sir Ronald Halstead was ousted in a boardroom coup, said that the year had by most standards been unsatisfactory.

While turnover was up 13.7 per cent in the 12 months to March 31, pre-tax profits were only 1.3 per cent ahead and earnings per share were up marginally at 23.16p (23.01p).

This meant earnings per share had been on a plateau for the last four years. Lord Keith said this was unacceptable and it was one of the factors which had prompted the management and strategy changes of the past few months.

Hugh Routledge

Lord Keith (left) chairman of Beecham and Mr John Robb, chief executive

However, the board expected a return to reasonable growth and because of this they were recommending an increased final dividend of 6.9p per share (6.2p), bringing the total for the year to 12p, a 6.2 per cent increase.

The results included a net £5.7m contribution to pre-tax profits from acquisitions, the two major ones being: Bond Street Cosmetics (formerly British-American Cosmetics) and Norcliff Thayer, the US over-the-counter medicine business. Lord Keith said Norcliff was already performing well and was expected to make a positive contribution to earnings per share in 1986-87.

Profits from prescription and OTC medicines totalled £185.7m (£176.1m), with the prescription side flat at £146.7m (£146.9m) and OTC producing £39m (£29.2m). Profits from consumer products totalled £149.7m (£145.4m), with toiletries, drinks and other consumer products accounting for £112.3m (£108.7m) and cosmetics and home improvements reaching £37.4m (£36.7m).

The UK improved its trading profit by 11.2 per cent while the rest of Europe showed a 24.2 per cent rise. The Americas saw a 19.1 per cent drop, due to a trading loss in the cosmetics business, reduced profits from home improvement products and the dollar's decline.

Turnover for the year totalled £2.6bn (£2.3bn), while the trading profit was £335.4m (£321.5m). There was a net interest charge of £29.5m (£23.5m) and the tax charge totalled £136.1m (£131.3m).

The cost of acquisitions in the year totalled £287.1m, financed by an increase of £230.7m in group net debt and a positive net cash flow from operations. Gearing was 33.3 per cent at the year-end, compared with 14.3 per cent at the end of the previous year, and the proceeds of the disposal programme would initially be used to reduce this.

The company said that during the year it had cut its workforce by around 1,350 and the figure was expected to be higher than that this year.

Lord Keith said there was nothing fundamentally wrong with Beecham, but after more than a quarter of a century of "spectacular success it had become progressively less dynamic in recent years."

The board was committed to the restoration of that dynamism.

Plantations profits dive at James Finlay

DESPITE A substantial reduction in earnings from 20.4p to 5.5p in 1985, the James Finlay group is holding its dividend at 4.15p with an unchanged second interim of 2.15p.

The group's rate of profit reduction has accelerated. In the second half it made only £1.94m pre-tax, against £25.88m, to leave the year's total at £8.29m (£37.94m). Divisionally the greatest fall was in plantations, and geographically in Africa.

Turnover fell from £236.35m to £194m and trading and investment income from £35m to £14m. This was exacerbated by an exchange loss this time of £5m (gain £2.2m) and share of associates loss £759,000 (profit £696,000).

Banking services, finance and international confirming contribution fell from £2.48m to £333,000, trading, manufacturing and merchanting from £8m to £4.9m, and plantations from £24.77m to £2.1m.

Energy related interests increased their loss from £739,000 to £1.04m, while servicing ran into a deficit of £1.9m compared with a profit of £522,000.

However, there was a lift from £2.76m to £3.17m in profit from confectionery and beverage manufacturing and a rise from £66,000 to £718,000 in net gains on the disposal of investments.

All geographical areas were down on the previous year and two showed losses. UK and the Republic of Ireland accounted for £4.9m (£6.6m), North America loss £96,000 (profit £2.4m), Australasia £30,000 (£344,000), Africa £5.4m (£21.8m), and Asia loss £1.92m (profit £6.7m).

The profit was struck after charging interest paid of £7.2m. Tax takes £3.5m (£19m) and there is a minority credit of £296,000 (debit £311,000). Accounts have been prepared on an historical basis modified to include certain tangible fixed assets.

There were extraordinary credits of £1.36m (debits £78,000). These comprise gain on sale of associate and subsidiaries £1.86m, profit on disposal of land and buildings £80,000 less deficit on revaluation of land and building of a subsidiary £192,000, and losses on closure of divisions of subsidiaries and closure of associates £245,000 and £143,000 respectively.

The major categories of tangible fixed assets were revalued at end 1985. Despite adverse foreign exchange movements the net asset value has risen some 4p to 126.4p per share.

The directors are seeking authorisation to allot the unissued shares of the company, to purchase the company's own shares, and to amend the rules of the savings-related share option scheme. Annual meeting is called for August 1.

● **comment**

Tea and oil are an unpalatable mixture and having swallowed its fill last year, James Finlay looks particularly sick. But this year's outlook is brighter. Banking and confirming should recover from the drop in profits caused by the Lock group's substantial provision against bad Australian debts; tea prices seem to have bottomed; and even if the oil price fails to recover, losses in the energy division should stabilise. With net assets of 128p per share, the share price at 77p is at a hefty discount and rumours of a bid may resurface, although the decision to maintain the dividend will give the shares yield support. Profits of £13m and a tax charge of 42.5 per cent puts the shares on a prospective p/e of 9.5, about average for a depressed sector.

Tomkins responds to Pegler on bid costs

By David Goodhart

Pegler-Hattersley, fighting a £193m bid from mini-conglomerate F. H. Tomkins, yesterday stressed that the £10.5m cost of a successful bid represented close to 40 per cent of Tomkins net assets.

But Mr Greg Hutchings, Tomkins chief executive, said that such expenses, including stamp duty and underwriting costs, were an inevitable part of a big bid. He added that some of the expenses were success-geared, and thus the cost of failure was far lower.

"This is a fuss about nothing and don't forget we have a 14 per cent stake so we stand to make a huge capital gain," he said.

Commenting on Pegler's latest circular to shareholders he said it was "thoroughly boring and repetitive — like their profits."

The document points to the potential dilution that would be suffered by Pegler shareholders if Tomkins were successful: they would provide 75 per cent of pre-tax profits and 86 per cent of net assets but only 62 per cent of the equity of the combined group.

It adds that not only would acceptance of the Tomkins ordinary share offer leave shareholders exposed to the risks inherent in Tomkins' paper, but would also cause a fall in income of 70 per cent for the ordinary offer and 23 per cent for convertible preference shares.

Mr Michael Moore, chairman of Tomkins, retorted in Tomkins own document that Pegler had raised red herrings to divert attention from the key issue of management quality. The Pegler board could and should have done better — and in the four years to March 1985 it had increased earnings per share by less than one per cent a year, compared with Tomkins' 33 per cent annual growth rate over five years.

He concludes: "How can your board claim that our final offer is inadequate when only nine weeks ago the Pegler share price was less than 400p and when less than a year ago two of the three executive directors declined shares at 252p under Pegler SAYE share option scheme."

Tomkins fell 2p to close at 363p and Pegler rose 10p to close at 602p. The final closing date is next Tuesday.

ISC results delay on rights rumours

The International Signal & Control Group, the US-based defence electronics supplier, has postponed the announcement of its preliminary results, due to be published yesterday, until today, amid stock market rumours that the company is poised to launch a substantial rights issue.

Rumours about the possibility of an ISC rights issue have circulated for the last two or three months. It is thought that the company may need to raise capital to finance a series of acquisitions and a large defence contract recently won in the Middle East.

Hazlewood buys snack companies

Hazlewood Foods is buying three snack food companies for a minimum of £4.2m in cash and shares. They are STS Packaging for £3m, Nut Kernel for £918,000 and Chaucer Foods for £500,000, plus profits-related payments for the next three years.

STS in 1985 made pre-tax profits of £500,000 and had assets of £621,000. In the year to March 31 1986 Nut Kernel pre-tax profits were £153,000 and in the year to the end of July 1985 Chaucer reported taxable profits of £104,000.

Brierley raises Hampton stake

IEP Securities, a company controlled by New Zealand businessman Mr Ron Brierley, has raised its stake in Hampton Gold Mining Areas to 8.79 per cent. Hampton is defending a £40.9m bid from Metal Exploration, a company controlled by Australian financier Mr Alan Bond, which holds 23 per cent of the equity and has received undertakings to accept his offer from holders of another 9.4 per cent.

TI purchase

TI Group has exercised its option to acquire Alco Standard Corporation's interest in Ahar Ipsen International. The buy-out has been completed at a price of US$11.5m.

LADBROKE INDEX
1,310-1,316 (+2)
Based on FT Index
Tel: 01-427 4411

Westland dividend pointer after £8m midway profit

BY LIONEL BARBER

Westland, the British helicopter manufacturer rescued earlier this year by Sikorsky, the US helicopter maker, and Fiat of Italy, yesterday announced an interim return to profit after last year's heavy loss. It also held out the prospect of a final dividend for the full year.

For the six months to March 31, the group made £7.8m pre-tax profits compared with £4.8m for the similar period in 1985. This rise was followed by a full year loss of £95.3m before tax.

On March 7 this year, after an intense political and financial battle, Westland completed a contested £75m capital reconstruction involving Sikorsky and Fiat taking a minority shareholding in the company.

Sir John Cuckney, the company doctor invited by the Bank of England to become Westland chairman last summer, described the result yesterday as encouraging and said he hoped to recommend a final dividend. But he warned that major problems, such as improving efficiency and productivity, remained to be solved.

Westland shares rose sharply to close at 86p, up 15p on the day. For the past few weeks they have been trading around the 70p mark.

The bulk of pre-tax profits came from the group's technologies division which produced £5.3m (£5.1m) on £43.2m turnover, despite a drop in orders in the first half. The shortfall, linked to delays in the Tornado aircraft, have subsequently been made good.

Westland's helicopter business—the recent problem area—reduced losses before tax by £1.4m to £0.5m on marginally increased turnover of £95m. "However, pressure on the

Sir John Cuckney, chairman of Westland

(British) Defence budget means that we will have to work hard to avoid cuts to what is already a small forward order book," Sir John said.

The aerospace division showed a marked rise in turnover from £11.1m to £26.4m. Pre-tax profits rose from £2m to £2.7m.

Operating profits before interest amounted to £12.3m (£9.9m) while earnings per share increased from 2.2p to 6.5p. The latter figures are based on the weighted average of ordinary shares and preferred ordinary during the period with 1985 figures adjusted for the bonus element of a rights issue which formed part of the rescue package. There is no interim dividend.

Sir John said that the redundancy programme announced last year had been carried out, cutting the workforce by 1,040 (19 per cent) in the 12 months to 1986. But he warned that manning levels had to be related to the company's order book.

● **comment**

Sir John Cuckney's broad hint that a final dividend is on the way explains why Hanson Trust—and perhaps those six mystery shareholders—chose to invest in a near-bankrupt helicopter business this year. If anything, the company's financial position is sounder than appears in the balance sheet; the effect of the capital reconstruction shows up only for three weeks, so the full year figures should benefit further from lower interest charges. There is also a likely write-back of some £10m into the balance sheet now that Mr Gandhi has agreed to the long-awaited order for 21 W30. Westland is trying to reduce its dependence on helicopters from the present 60 per cent of turnover to less than 50 per cent, mainly through the Sikorsky/Fiat technology link. A tight Ministry of Defence budget makes this imperative, even after discounting the departure of Mr Heseltine. But Westland is still committed to finding markets for Sikorsky's Black Hawk, and to an expensive European collaborative venture for a light attack helicopter. Cuts in a still overmanned workforce are inevitable, if productivity is to rise. The danger lies in union opposition, particularly after the company's proposal not to offer a wage rise this year. There are penalty clauses in Westland's current order book and a strike could ruin what is obviously painful progress to recovery.

600 Group drops to £6.7m

ALTHOUGH operating and trading profits showed an improvement and a large number of subsidiaries did substantially better, the 600 Group's pre-tax profit and earnings for the year ended March 31 1986 are well below expectations, reports the chairman Sir Jack Wellings.

Turnover moved up to £203m (£187m), operating profit to £11.99m (£9.32m) and trading profit to £6m (£5.74m) after much higher interest charges of £2.98m (£1.09m).

But after a reduced surplus on sales of properties £461,000 (£1.04m) and share of related companies £133,000 (£846,000), the year's pre-tax profit is down to £6.71m (£7.62m). Earnings were 9.1p (11.2p).

Sir Jack says the disappointing result can be attributed to four main factors:—

Firstly, in the iron and steel operations last year's £1.59m profit was turned into a £488,000 loss at the trading level. The group suffered severe competition from exports of scrap surpluses from the US and very competitive prices as the dollar fell, and there was a serious effect on margins.

Secondly, the continuing recession and adverse local exchange rates in the South-East Asia companies led to heavy losses in Malaysia, Indonesia and Singapore. These were further aggravated by bad debts and other provisions.

Thirdly, the unprecedented increase in products liability insurance premiums, a problem affecting most companies exporting to the US, resulted in an increase in premiums of £600,000 per annum.

Fourthly, a reduction in profits solely due to the continuing adverse exchange rate on conversion into sterling.

The chairman says the strategic plan for the group was continued, expanding existing businesses, introducing new products and closing a number of unprofitable areas.

A split of the turnover and trading profit shows:— manufacturing £62.87m (£49.38m) and £3.72m (£636,000); UK trading companies £28.9m (£25.3m) and £862,000 (£1.13m): overseas companies £41.36m (£32.7m) and £2m (£2.38m); iron and steel £70m (£80m) and loss £488,000 (profit £1.59m).

A large part of the substantial increase in interest charges arose from the acquisitions of Clausing Industrial Distribution group, F. Pratt Engineering, Meba Maschinenbau, and Robejo Machines and the inclusion of their borrowings.

They are all contributing at the trading levels predicted and all costs associated with integration have been absorbed.

However, gross borrowings as a proportion of shareholders' funds had increased only from 23 per cent at the beginning of the year to 32 per cent at the end.

Tax takes £2.5m (£2.47m) and minorities £6,000 (nil). The final dividend is 3.435p for a net total of 5.775p (5.5p).

● **comment**

A disappointing set of results from the 600 group which can no longer rely on the property sales that saw it through the engineering sector's lean years. Profits were more than £1m down on expectations, largely due to the collapse in the scrap metal market and the interest charges incurred in the last bout of acquisitions. Even a favourable exchange rate move is unlikely to improve the outlook for scrap metal and although the Clausings and F Pratt acquisitions are now absorbed, prospects in the machine tool and engineering market are unexciting. Forecast profits of £8m and a tax charge of 38 per cent puts the shares at 123p on a p/e of 11 which seems generous, despite the yield of 6.2 per cent.

Tenby offer oversubscribed

Tenby Industries has become the second offer for sale in as many days to close fully subscribed in spite of the volatile state of the market.

Rowe and Pitman, joint-brokers to the Tenby issue, said yesterday that the offer had closed "marginally over subscribed." On Tuesday, Guthrie Corporation came through its flotation with applications for 1.1 times the number of shares on offer.

The level of institutional support for Tenby could indicate a recovery of confidence in issues of reasonable quality said the brokers. "The stags saw nothing of interest in this one but the professionals seemed happy to back it and its good to get an issue of an engineering/electrical company fully subscribed in this market," added Rowe and Pitman.

Tenby, formerly a subsidiary of BSR, was offering 60 per cent of its shares, 10.58m in all, at 112p. The basis for allocating share applications should be announced today with dealings due to start on June 19.

Bestwood claims more CGA shares

Bestwood said yesterday that it had made further advances in its increasingly bitter fight with Frederick Place Holdings for the Country Gentlemen's Association. It said that it owned or had valid acceptances for 45.8 per cent of CGA shares, an increase of 2.6 percentage points above the figure announced on June 3, and was awaiting delivery of a further 0.3p per cent of the equity.

It also said that it had been advised of notices of withdrawal from the rival FPH offer reducing the "valid acceptances" to 45.4 per cent. The total announced acceptances for the FPH offer, which includes shares for which it had not received legal title, had therefore fallen from 51.45 per cent to 49.95 per cent.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane, London EC3R 8BP Telephone: 01-621 1212

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	131	—	7.3	5.6	8.0	7.5
151	121	Ass. Brit. Ind. CULS	131xd	—	10.0	7.5	—	—
120	43	Airsprung Group	120	—	5.4	5.3	20.0	28.1
48	28	Armitage & Rhodes	28	—	4.3	15.4	3.5	4.2
178	108	Bardon Hill	178	—	4.0	2.2	22.5	23.4
75	42	Bray Technologies	75	+1	4.3	5.7	5.5	6.1
201	80	CCL Ordinary	80	—	2.9	3.5	5.7	6.9
152	86	CCL 11pc Conv. Pref.	86xd	—	15.7	18.3	—	—
163	80	Carborundum Ord.	163	+1	6.1	5.5	7.9	8.1
94	83	Carborundum 7.5pc Pf.	88xd	—	10.7	12.2	—	—
85	46	Deborah Services	56	—	7.0	12.5	6.8	7.7
32	20	Frederick Parker Group	23	—	—	—	—	—
112	50	George Blair	110	—	—	—	4.5	5.1
68	20	Ind. Precision Castings	60	—	3.0	5.0	15.5	13.2
218	156	Isis Group	158	—	15.0	9.5	12.2	18.2
122	101	Jackson Group	120	—	6.1	6.1	8.2	7.3
346	228	James Burrough	335xd	+8	15.0	4.5	10.6	10.5
99	85	James Burrough 9pc Pf	99	+0½	12.9	13.0	—	—
95	56	John Howard Group	57xd	—	5.0	8.8	—	—
1470	570	Minihouse Holding NV	1420	—	8.7	0.6	46.9	55.5
380	260	Record Ridgway Ord.	380	—	—	—	6.8	11.7
100	89	Record Ridgway 10pcPf	89xd	—	14.1	15.8	—	—
82	32	Robert Jenkins	70	−1	—	—	6.1	20.0
34	28	Scruttons "A"	30	—	—	—	—	7.7
87	66	Torday & Carlisle	76	+1	5.7	8.5	3.8	7.0
370	320	Trevian Holdings	320	—	7.9	2.5	8.7	5.8
57	25	Unilock Holdings	56a	—	2.1	3.8	15.2	14.9
175	93	Walter Alexander	169	—	6.6	6.1	9.5	11.7
226	180	W. S. Yeates	190	—	17.4	8.2	18.0	21.1

a—Suspended

UK COMPANY NEWS

Premier in £19m oil and gas deal with Burmah

BY LUCY KELLAWAY

Premier Consolidated Oilfields, the independent company, has agreed to buy Burmah Oil's entire oil and gas exploration and production interests in an oil share deal worth about £18.8m. At the same time Premier announced a small decline in pre-tax profits for the year to end-March 1986 to £4.42m, compared to £4.54m in the previous year.

The assets to be exchanged include £9m in cash, o 8.4per cent interest in the Thistle Field in the North Seo and an field, aa well as a number of onshore and offshore licences in the UK and interests in Columhia an dthe US.

In return, Burmah will receivo 72.2m shares in Permier, equal to 25 per cent of the company, which it plans to hold for at least a year. Two directors from Burmah, including Mr Lawrence Urquhart, managing director, will poin the board of Premier, and Mr Roland Shaw, Premier's chairman, will become a director of Burmah.

Mr Shaw said yesterday that Burmah's assets "dove-tailod nicely" with Premier's. The cash inflow would create group cash balances of about £15m, which would allow the company to make further acquisitions, he said. The Thistle and Deveron interests, which are currently producing about 5.6m barrels a day, will provide steady income, while Wytch farm, in which Premier holds a 12.5 per cent stake, reaches full production.

There will be tax advantages orising from tho deal, as Premier's exploration costs will be offset against Thistle's PRT bill.

Burmah, which announced earlier this year heavy reductions in its exploration budget, said yesterday that the deal would maintain its investment in oil and gas while reducing its direct involvement. Since the fall in tho oil price, Burmah's oil interests, which made a profit of £13.1m in 1985, have become unprofitable, and are expected to show a loss of £1.5m in the first half of the current year. Mr Shaw hopes to return them to profitability hy another reduction in overheads.

In tha year to March, Premier's turnover was £10.5m (£9.9m), while gross profits were unchanged at £6.9m, as were profits after tax of £3.8m. Figures for 1986 are calculated using average exchange rates, whereas 1985 figures use year end rates.

During the year tho company increased production by 44 per cent, but was hit by the sharp fall in oil prices and by adverse currency movements. Mr Shaw warned that without tho Burmah assets, results for the current year would be much lower.

There is again no dividend for 1985-86 but another one-for-10 scrip issue is proposed.

At Wytch Farm, production is now running at between 5,000 and 7,000 barrels a day. Two appraisal wells havo been successfully drilled on Furzey Island, and work is under way to increase production to 60,000 barrels a day.

In the North Sea Premier has been held back in its planned oppraisal work on Block 29/9h as a result of cuts in the exploration budgets of its partners.

See Lex

Stock Conversion holders go for cash

By Lionel Barber

Peninsular & Oriental Steam Navigation yesterday revealed that 67 per cent of shareholders in Stock Conversion, the property company, had accepted the cash alternative in its £402m agreed bid, leaving an equivalent amount of P&O shares with the sub-underwriters.

However, having received acceptances amounting to 95.3 per cent of Stock Conversion's ordinary shares, P&O declared its offer unconditional. The cash alternative of 720p per share is now closed.

P&O shares suffered yesterday, closing at 513p, down 5p on the day. This compares with an underwriting price of 540p.

P&O and its advisers, Hambros, said they were relaxed about the large amount of P&O stock left with the sub-underwriters, mostly institutional clients of the two brokers involved in the bid, Hoare Govett and Panmure Gordon.

Hambros said that several key Stock Conversion shareholders — the Levy family, Stockley, the property company, and discretionary clients of Henry Ansbacher, the merchant bank — had made it clear that they intended to take the cash alternative. They represented more than 40 per cent of the Stock Conversion shares.

It was also pointed out that the stock market had proved volatile in recent weeks.

P&O, chaired by Sir Jeffrey Sterling, revealed the bid for Stock Conversion in April as part of a £526m takeover package, which included the purchase of Overseas Containers, a leading containing shipping operator, in which it already held a 47 per cent stake.

BET becomes force in security with £33m Shorrock purchase

BY CHARLES BATCHELOR

BET, the laundries, transport and construction services group, is making an ogreed bid worth £33.2m for Shorrock, the electronic security company, in a move which takes BET into the security industry in a big way for the first time.

Shorrock, which supplies sophisticated security systoms to tho Royal family, the White House and high risk buildings such as nuclear power stations and large industrial sites, fits BET's aim of extending its range of services to industrial customers.

The security group was valued at £24m when it obtained a full stock market listing in March 1985. Its shares languished below tho flotation price of 100p for a long time hut last month Shorrock announced a 36 per cent increase in pre-tax profits to £1.8m in 1985 on turnovor which rose 31 per cent to £16.9m.

BET is offering 71 of its own shares for overy 200 of Shorrock. With BET's shares unchanged at 390p yesterday the hid was valued at 138.4p per Shorrock share. The Shorrock share price rose 18p to 130p, the level of the BET cash alternative.

The hid has the backing of Shorrock's directors, heoded hy the chairman and chief executive, Dr Stanley Shorrock, who together own a total of 25.9 per cent of the equity. They ore recommendation that other shareholders accept the offer.

BET said it had started talking to Shorrock "vaguely" about three months ago. It was anxious to get an ogreed bid to avoid defections among management and to preserve Shorrock's client base. It also wanted to agree a deal at a level which would not dilute BET's own earnings per share.

BET olready has o small security operation, Arrow Security Systems, which has allowed it to test the market, but Shorrock will give it an immediate, sizeable stake in the sector.

Shorrock's emphasis on government, industrial and commercial customers, as opposed to the residential alarm market, fits in with BET's existing businesses supplying laundry services, sound and public address systems and plant hire to these markets.

An agreed takeover will free Shorrock from the threat of a hostile bid and give it the resources to expand overseas, particularly in the US, BET said.

In April BET acknowledged the failure of its attempt to acquire SGB, the scaffolding gronp, when SGB found o "white knight" in the shape of the Mowlem construction company.

Woolworth renews attack on Dixons' bid

By Charles Batchelor

Woolworth yesterday launched a strong attack on Dixons' revised £1.82bn takeover bid, claiming it would flood the stock market with Dixons' shares without providing a viable retailing formula for Woolworth.

Mr Geoff Mulcohy, Woolworth chief executive, said "The masses of Dixons' paper which would flood the market would depress the share price for months if not years.

"Dixons' so-called plans for Woolworth are flawed. Any attempt at implementotion would be costly, disruptive and damoge the profitohlility of both Woolworths aod Dixons. They would require Dixons to achieve a totally unrealistic estimated 40 per cent of the alow-growing high street electrical goods market."

Mr Mulcahy criticised Dixons' foilure to make proposals for more than 5m sq ft of Woolworths space, and described Dixons retail plans as "a damp squib."

Dixons responded that Woolworths' comments took the argument no further.

Woolworth's shares continued to fall yesterday, closing 35p lower at 760p. This showed shareholders were taking profits, expecting the hid to fail, Woolworth said. Dixons' shares also fell by 4p to 228p.

SEP INDUSTRIAL Holdings has contracted to purchase Maurice Eogineering (pressings and special tools) for £685,000, satisfied by £437,500 in cash, the issue of 862,069 shares and £60,000 unsecured loan stock 1987. Company's hrokers are placing 2m new shares to refinance most of the cash acquisition cost.

Caffyns confident as profits rise by 22%

A 22 per cent increase in profits to £638,000 for the year endod March 31 1996 and an optimistic statement regarding the current year's prospects pushed up the shares of Caffyns, the south of England motor dealer. They rose 8p to close at 243p.

The directors are also looking for a substantial reduction in interest charges, reflecting a decline in borrowings following the sales of properties and tho fall in interest rates generally.

In 1985-86 trading improved on both sales and service sides, with particularly good increases coming from the leasing and used-car departments. This led to turnover rising from £92.6m to almost £108m and trading profit from £1.34m to £1.7m—percentage growth of 16.5 and 28 respectively.

Adding in surplus on branch rationalisation £482,000 (£419,000) and deducting interest chorges £1.56m (£1.23m), leoves tho pre-tax profit balance at £638,000 (£525,000).

Tax takes £113,000 (£101,000) to leave earnings ot 13.39p (10.28p). The final dividend is 3.3p to raise the net total by 1p to 5.5p.

Tho restructuring of the commercial vehicle division has enabled tho company to sell three properties while retaining the greoter part of the business generated by them. These will raise £3.62m before Septemher and produce a surplus of over £1m in the current year.

Approach to Wemyss Trust

Wemyss Investment Trust yesterday disclosed it was in talks with a potential hidder. The shares closed 20p bigher at 610p.

Last month, Wemyss said that its net asset value had slipped from 661p to 659p over the year to March 31 1986. Earnings per share olso fell from 13.3p to 11.2p, but the Wemyss board said thia was not significant.

At March 31, Wemyss's net assets of £14.8m were spread in the UK (50 per cent); North America (30 per cent); Australia (15 per cent); ond Japan (5 per cent), according to the group's interim statement.

Availahle profits totalled £251,000 (£300,000) ond Wemyss declared an interim dividend of 8p per share for the year to Septemher 30 1986.

COMPANY NEWS IN BRIEF

NEW THORGMORTON TRUST (1983), reports on increase of 46 per cont from 106.1p to 154.6p in tho net asset value per 25p capital share in tho year to March 31 1986. The final dividend is raised from 1.7p to 2.1p for an increased total of 3.35p (2.7p). Statod earnings per share were 3.51p (2.8p), an increase of 25.4 per cent. Pre-tax revenuo was higher ot £1.95m (£1.54m). Tax took £576,000 (£446,000).

ROWLINSON SECURITIES, property investmont and development, reports earnings of 5.94p (5.49p) for the year ended March 31 1986, and is raising the dividend to 0.715p (0.65p) with o final of 0.53375p. Turnover camo to £6.78m (£8.69m) and pre-tax profit to £820,000 (£769,000). Total receivahle annual income is over £1m. Borrowings are higher because of greater activity in developments.

GEE/ROSEN Organisation, (mon's fashion designer and retailer), pushed np turnover to £10.85m (£7.38m) and profit to £403,000 (£304,000) in year ended March 31 1986. Earnings are 3.3p (2.6p) after tax £174,000 (£126,000), and final dividend is 1.1p for o net total of 1.65p (1.5p). Company is USM traded.

M & G SECOND DUAL Trust increased earnings per 10p incomo share to 11.35p (9.65p) in the year to May 31 1986. Tho final dividend is 5.5p for a net total of 11.3p (9.65p). Assot valno per capital share rose to 303.6p (209.5p). Gross revenue was £1.61m (£1.38m), and tax £475,564 (£413,613).

NORTH BRITISH Steel Group (Holdings) reported pre-tax profits of £23,000 for the 28 weeks to April 12 1986, against losses last time of £430,000. Turnover fell to £7.24m (£7.89m). Earnings per share came out at 0.5p (8.4p losses). Mr George Menzies, chairman, says tho improved results reflected continuing improvement in the foundries operation and that the group had the opportunity to increase market share.

STERLING INDUSTRIES, light engineer, raised pre-tax profits to £858,000 (£590,000) for the year ended March 31 1986, on turnover of £8.17m (£6.87m). Earnings per 2½p share were 4.23p (3.11p) and the dividend 2.75p (2.25p) net with a 2p final. Proportion of Crewkerne Investments' profit attributahle to Sterling was £343,000 (£295,000).

ALPINE SOFT DRINKS made a pre-tax profit of £63,000 (£272,000 loss) for the year ended March 29 1986, on turnover of £14.52m (£15.11m). Earnings per 10p share were 0.5p (1.83p loss) and a final dividend of 1.217p makes a total of 1.817p (1.8p). Severe competition together with a very poor start to tho summer period means that volumes remain under pressure.

HANSON TRUST has sold the two specialist paper-making businesses of Robert Fletcher & Son to Melton Meades, a privately-owned industrial company. The two were owned by Imperial Group, which Hanson took over after a fierce battle two months ago. Hanson said that the sales, which netted less than £5m, had been started by Imperial before the takeover.

BULLERS has sold its refractory items subsidiary Taylor Tunnicliff to Winemanor (Holdings) for a nominal sum. In addition, Winemanor will repay Taylor Tunnicliff's bank overdraft of £235,000 and half of its £216,000 total inter-company debt, reducing Bullers' bank borrowings by £353,000.

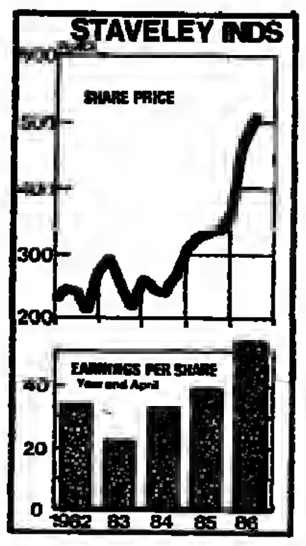
DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Barlows	7.5	[illegible]	7.5	7.5	7.5
D. F. Bevan (Hldgs) 2nd int	1½	July 2[illegible]	[illegible]	1.4	1.25
Beecham	6.9	Aug 21	6.2	12	11.3
Brownlee	3	July 18	2.7	4	4
Caffyns	3.3	July 30	2.3	5.5	4.5
Caledonia	3	—	2.3	5	4
E. Elliott	2	Aug 28	1.9	3	2
James Finlay 2nd int	2.15	July 24	2.15	4.15	4.15
Thos French int	1.15	Aug 29	1.15	—	2.88
Slaters Food	1.6‡	July 31	1.3	2.8	2.2
Staveley Inds	12	Aug 5	11	17.5	15.5
Sterling Industries	2	—	2	5†	3
Thermal Scientific	3.5‡	—	1.75	2.75	2.25
600 Group	3.44	—	3.16	5.78	5.5
Alpine Soft Drinks	1.22	July 31	1.2	1.82	1.8

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ In lieu of final for year to March 31 1986.

Staveley forecasts further growth after 31% advance

ALL-ROUND growth and a cut in interest charges helped Staveley Industries to increase pre-tax profits by 31 per cent in the year to March 29 1986. The directors say that the company has a sound base and are confident that there will be growth both at home and overseas.



On turnover down by 5 per cent from £185.59m to £175.92m, taxable profit came out at £10.84m (£8.27m). Earnings per £1 share were 53.1p (39.5p), net basis, and on a nil basis 44.2p (37.2p). With a proposed final payment of 12p (11p), the total dividend is increased from 15.5p to 17.5p.

Directors add that the quality of profit has improved throughout the group.

Operating profit was £12.14m (£10.8m) with a further £1.45m (£1.16m) from interest received. Interest charges were down from £3.7m to £2.75m.

At the trading level the best improvement was seen in other engineering interests, up from £472,000 to £1.08m. All businesses made good progress particularly Lapointe and Sleeman. Electrical and mechanical services was affected by the depressed construction industry and results improved only slightly from £1.7m to £1.73m.

Weighing and components benefited from the continued improvement in profitability of NCI following its merger with Electroscale. Trading profits rose to £1.5m (£1.22m).

Despite the adverse effect of the weak dollar, profits from industrial measurement came at £1.41m (£1.22m). In the minerals division British Salt had another good year, the directors state, with tight control of costs being helped by the hard winter.

Interest costs fell due to lower borrowings, down £4m to £9.4m with gearing of 19 per cent, the weak dollar and lower US interest rates.

Capital spending was £5.5m. This reflects, the directors say, the less capital intensive nature of the group's present activities.

The tax charge was £2.22m (£1.85m) and minorities added £64,000 (£5,000 debit). There were extraordinary debits of £982,000 (£1.67m) including an adequate provision to cover any non-recovery of deferred consideration on the sale, five years ago, of the Standard Machine Tool in Canada.

Dividends absorbed £2.91m (£2.55m), leaving retained profit at £4.8m, against £2.2m last time.

● **comment**

Having been dismissed as a dull, but worthy minerals stock for so many years, Staveley has emerged as something of a market favourite in the last year or so and its share price has soared accordingly. The appearance of these preliminary results sent the shares soaring further, by 20p to 523p, yesterday. Although minerals still provide the bulk of profits—and were buoyed by the icy winter—Staveley now looks towards its weighing and industrial measurement activities for growth. The performance of the electrical and mechanical services division was perhaps the most encouraging, however. Last year the sector was no less competitive than before, yet, through the recently adopted policy of sacrificing volume sales to protect margins, Staveley succeeded in securing profits growth. The City expects a surge in profits to £12m next year, producing a prospective p/e of 9 which seems modest considering the company's growth potential. Now that borrowings have been whittled away to more manageable levels, Staveley is intent on acquisitions to augment both US and UK activities and to reduce its reliance on minerals.

Caledonia lifts profits by 26% to £8.4m

Caledonia Investments, the investment holding company which holds 49 per cent of British & Commonwealth Shipping, improved pre-tax profits by 26 per cent in the year to March 31 1986, from £6.64m to £8.38m.

The company is to lift the final dividend by 0.7p to 3p, making a total of 5p (4p) for the year. Earnings per share came to 5.73p, 1.2p up on last year.

Investment income rose from £6.06m to £7.12m, with that from the investment in B & C adding by far the most at £5.77m against £4.65m. Other investments made £1.35m (£1.41m). Net interest added £324,000 (£37,000), and there were management expenses of £186,000 (£183,000).

Turnover on trading activities was up from £9.5m to £11.04m, producing operating profits of £1.18m (£900,000).

After a tax charge of £2.65m (£2.13m) and dividends totalling £4.89m (£3.93m), the company retained profits of £737,000 (£546,000).

● **Amber Industrial Holdings**, the industrial aerosol manufacturer which is controlled by Caledonia, also reported figures for the same period yesterday, showing a profit of £968,000 pre-tax on turnover of £8.95m, compared with £696,000 and £7.09m respectively. The total dividend is 8.5p (8p) on earnings per share of 22.2p (13.9p).

Ian Rodger looks at the revival of Blackwood Hodge

Back in the land of the living

WHATEVER COMES of Blackwood Hodge's startling appearance as a white knight in the bidding for **Benford Concrete Machinery**, the move has served notice that the big construction equipment distributor is back in the land of the living after nearly going bust in 1983.

The bid also marks the first show of interest by BH in manufacturing as opposed to distribution, implicitly raising the question of whether there is much of a future for an international distributing group in today's brutal construction equipment markets.

BH made its name and its fortune in the gloriously prosperous post-war years when countries around the world were laying down long motorways, building huge hydro-electric dams and digging into vast mineral deposits. The company brought them all the giant earthmoving machines they needed, representing Terex of the US and other major manufacturers.

Mr Kenneth L. Scobie, managing director of Blackwood Hodge

BH men would march into a project office offering not only a complete package of equipment but also assurances of excellent (and highly lucrative) spares and maintenance service that only a strong international group could provide. BH's promotional stunts and entertainment for customers were legendary.

The good days came to an end in the late 1970s after the oil crisis had stopped big civil engineering projects in many countries. By 1982, the world market for construction equipment was down by a third, and some of the markets in which BH had thrived—Nigeria and Canada—had dried up. BH sales fell from a peak of £350m in 1981 to £198m last year.

But the partying at the group's lavish Berkeley Square headquarters went on until very late in the day. In mid 1983, net borrowings were nearly double net worth of £37.5m, losses were piling up and there seemed to be no end in sight to the slump in the market. In November, 1983, the company's major equipment supplier, the West German IBH group which had bought Terex from General Motors, went bust.

BH shares plunged to a low of 7p that year, valuing the company at only £5.6m, and many analysts did not give it much of a chance of survival.

In October, 1983, Sir William Shapland, the man who had led the company through most of the boom years, retired at the age of 71. A few months later, Mr Kenneth Scobie, a Scottish accountant with a background in engineering industry rescue jobs, was brought in as managing director. Scobie knew it was a risky venture, and within months there was another heavy blow. Cummins Engine, the US diesel maker, decided to buy back from BH the distribution of its products in Australia and the UK. These operations produced £3.3m of operating profit for BH in 1984.

However, that year the company still managed to make its first attributable profit since 1980, and last year, pre-tax profits reached £7.2m, more than double the 1984 level.

The recovery so far has been due mainly to cuts in stocks, enabling the company to reduce debts. At the end of 1982, BH stocks stood at £120.6m, nearly half the level of group turnover. By the end of last year, they were down to £46.5m. Mr Scobie says the cuts have been largely of finished equipment. "BH regarded itself as a supermarket. If the products were in the yard, it could sell them. But if there are no jobs, no one is going to buy equipment. Now we stock in relation to market expectation."

Group borrowings remain uncomfortably high at £33.4m compared with shareholders' funds of £31m and Mr Scobie knows that further major gains on working capital are not possible. Nor is it likely that BH will be able to trade out of its debt problems on the basis of its existing distribution business.

Terex, part of which was rescued by General Motors, is no longer at the core of the construction equipment industry. With the demise of mega projects, the accent today is on smaller equipment used to build houses and repair roads. The hydraulic excavator has taken over from the bulldozer as the largest selling type of equipment, and BH is in the embarrassing position of not having an excavator franchise in its home market.

Mr Scobie has worked hard to pick up new franchises, notably from the increasingly powerful Japanese manufacturers. BH now represents Komatsu in some parts of Canada and Hitachi in others, and it sells Kobelco equipment in Australia. Late last year it made its first modest acquisition in years, of a Welsh distributor of Detroit Diesel Allison engines.

But it is slow going. Furthermore, the need for a highly professional, international distributor is no longer as obvious as it was in the days when BH was servicing huge fleets of machines on remote project sites. Today's machines are highly reliable and the small ones are easy to maintain. "For small equipment, we will never be any better than a good local distributor," Mr Scobie admits.

That suggests that profitable growth in distribution is going to be harder to come by. And that may help to explain the company's attempt to get into manufacturing through the Benford bid. Another motivation is the need to build up a UK earnings base. Only £2.1m of last year's £13.2m operating profit came from this country.

The Benford asset base would also help to strengthen BH's balance sheet. Mr Scobie says that if the bid fails, the company might soon "look at another operation of this kind."

SIX YEAR PERFORMANCE ANALYSIS

	1985 (£m)	1984 (£m)	1983 (£m)	1982 (£m)	1981 (£m)	1980 (£m)
Turnover	198.0	217.0	267.0	309.0	349.6	298.4
Operating profit	13.2	10.8	1.4	13.5	19.1	13.8
Interest payable	7.7	9.8	14.5	20.0	18.1	13.8
Exceptionals	—	—	9.1*	—	1.1*	—
Pre-tax profit (loss)	7.2	3.0	(20.6)	(3.7)	(0.1)	4.4†
-Retained	5.4	1.8	(30.8)	(4.9)	(4.3)	2.5
Earnings (losses) (pence)	6.7	2.3	(21.5)	(5.7)	(3.0)	2.5
Shareholders' funds	31.0	40.5	37.6	65.7	68.3	67.8

* Debit. † Adjusted.

B. Elliott tops £1m after recovery in second half

AS PREDICTED at the interim stage, **B. Elliott** recovered from a first-half loss to show an improvement in full-year results. Pre-tax profits for the 12 months ended March 31 1986 rose from £668,000 to £1.11m, on reduced turnover of £66.6m, against £71.06m.

Mr Mark Russell, the chairman, says the outlook for this machine tools and engineering products group is encouraging in most of its operations. He is confident that the improved performance will continue in the current year with the added contribution of recent acquisitions.

Much has been done, and is being done, to improve the engineering and production efficiency of the machine tool manufacturing business, but it is an investment for the longer term, the chairman states.

The final dividend is 2p net, which raises the total by 50 per cent from 2p to 3p. Stated earnings per 20p share were up from 2.5p to 4.9p.

First-half loss was £130,000 (£167,000 profit). Mr Russell says the group is normally more profitable in the second half than the first, but this year the difference is particularly striking because of a combination of factors affecting the group's UK machine tool and overseas operations.

In the UK, the machine tool division turned in a profit of £198,000 (£620,000). Butler Newall made a second-half trading profit of £246,000 following a loss of £976,000 in the first. Major problems arose in completing the final development and commissioning of machines for General Motors in the US, but output is now flowing more evenly.

The present outlook is brighter with orders in hand, at better margins, to fill most of the company's manufacturing capacity for the current year and associated development costs should be somewhat lower.

Machine tool merchanting operations had a mixed year, but overall made a useful contribution of £928,000, mainly through the performance of the metal cutting division which delivered some major contracts in the second half.

The metal forming division continued to suffer from a reduction in demand. The group has now completed the consolidation of its merchanting activities into the division's headquarters site in Acton and the total cost of this reorganisation (£849,000) has been included in an extraordinary charge of £584,000.

The engineering businesses generally continued to make sound progress and increased their pre-tax contribution to £839,000 (£314,000).

Overseas, the group made an overall profit of £316,000 (£15,000 loss).

BARLOWS, Manchester-based packer and warehousing company, reported pre-tax profits of £21,000 for 1985 against losses last time of £6,000. Turnover, excluding freight recharges, was up at £510,000 (£450,000). Earnings per £1 share, before extraordinary credits of £311,000, came out at 4p (1p losses) and there is a maintained single payment of 7.5p. Earnings after extraordinaries were 111.2p.

JOHN PERKINS MEATS pre-tax profits fell from £363,000 to £162,000 for the 26 weeks ended March 29 1986 on turnover of £8.17m (£9.3m). The interim dividend has been restored at 0.6p (nil) but directors say it is not to be taken as an indication of the level of the final. After tax of £51,000 (£134,000) earnings per share are shown as 1.2p (2.86p).

MOSSKIRK holds 3.42m ordinary shares (68.48 per cent) of **New Australia Investment**, having received acceptances of 1.33m (26.68 per cent) for its offer, which has become unconditional.

ANNUAL MEETINGS

Bodycote to seek listing for Dutch subsidiary

THE BOARD of **Bodycote International** revealed at the annual meeting that preliminary steps were being taken for the introduction to the Dutch stock market of a limited proportion of shares in its wholly owned Dutch subsidiary, **KLM Kledingbedrijven Echo**.

Bodycote, advised by Kempen and Co of Amsterdam, expected that an initial public offering of the shares would be achieved in the autumn. Although Bodycote's investment in KLM Echo—a maker of career apparel and protective clothing—would be reduced, the company said it intended to retain a controlling interest.

The proceeds of the sale would provide funds available for use elsewhere in the group, including in particular, the board's commitment to maintain, both technologically and commercially, the metal treatment division's position in the field of sub-contracted metallurgical heat treatment.

Bodycote's shares rose 28p to 288p yesterday.

● **Wordplex Information Services**—The aim was to return to profitability in 1987. This year would be one of significant improvements; a strong cash flow would be generated and bank borrowings would be reduced. The company was still in a competitive market environment, but believed that in the 8000 Series it had "the right product at the right time."

● **Coates Brothers**—In the current year to date, sales and profits both in the UK and overseas were running ahead of the same period of 1985.

● **London and Continental Advertising**—The poster side had experienced difficult market conditions in the early part of the year and this would be reflected in interim results.

Acquisitions boost Thermal Scientific to over £3m

Thermal Scientific has continued its growth with the help of acquisitions. In the second half it has made a profit of £2.1m to give a pre-tax total of £3.18m for the year ended March 31 1986.

Organic growth was 25 per cent and there was a first time contribution of £1.02m from companies acquired during the year. One of those was Killion Extruders, a US maker of small screw plastics extruders, and this has boosted the American share of trading profits to nearly 40 per cent.

The year's profit compares with £1.03m in 1984-85. The other major purchase was Torvac Holdings, a UK maker of vacuum furnaces and electron beam welders.

On capital increased by rights and acquisition issues the final dividend is 3.5p for a net total of 5p, compared with not less than 4p forecast and with 3p paid last time. Also recommended is a 1-for-1 scrip issue.

The year-end balance sheet has been strengthened considerably, with net tangible assets up from £4.26m to £10.09m, or from 59p to 95.5p per share. There was a net cash surplus of £2.64m.

The directors say the business is strong with firm foundations in major growth areas. The range of potential acquisition opportunities has increased, and since the year end Sharetree has been bought for £2m. This is the largest maker of burn-in equipment in the UK.

Turnover in 1985-86 of this USM traded group expanded from £7.66m to £20m. Tax takes £1.18m (£460,000) to leave earnings at 22.1p (11.4p) per share.

For the current year the directors are looking forward to continued growth.

● **comment**

Hugh Sykes' Thermal Scientific continues to grow at an impressive rate with its clutch of furnace and oven making companies taking a strong hold in the world market following the acquisition of Killion in the US. With 2.64m in the bank, further acquisitions on the same scale, perhaps for a mix of cash and paper, seem likely this year — although all will need to obey Sykes' "no earnings dilution" rule. There is still quite a lot to come from what has already been purchased, however, and the strengthened management team at head office will be looking to both cut out some fat and take advantage of any trading synergies thrown up among the 12 acquisitions since July 1983. For this year a pre-tax total of 4.5m should be achievable which puts the shares at 490p, up 22p, on a prospective multiple of 18½—which seems underdone for what remains a popular stock. The one for one scrip issue helps underline the buy-while-still-hot message.

BOARD MEETINGS

TODAY

Interims:— Hawtin.

Finals:— Millward Brown, Property Partnerships, Somic.

FUTURE DATES

Interims:—	
Asea	Aug. 14
Barclays	Aug. 7
Carroll Industries	June 16
Greenwich Resources	June 17
Television South	June 30
Finals:—	
Aberfoyle	June 18
Bassett Foods	June 20
Cullens	June 17
Goldsmith Group	June 17
Kleen-E-Ze	July 10
London International	June 19
Textured Jersey	July 14

A bespoke service on offer as . . .

Dreams are turned into reality

Richard Tomkins previews the launch of Smallbone on the unlisted market

Smallbone, the Wiltshire-based company whose business is turning dream kitchens into reality for customers who do not blink at a bill of £20,000, is poised to achieve an ambition of its own: it will be coming to the unlisted securities market next week at a value of just under £10m through a placing by Sheppards, Beech, the Bristol stockbrokers.

Founded in 1976 as a partnership between Mr Graham Clark, now managing director, and Mr Charles Smallbone, now production director, the business originally specialised in restoring antiques and making traditional-style furniture.

However, the partners soon spotted an increasing demand for a complete design and installation service at the luxury end of the fitted-kitchen market, and in 1979 they launched a range of pine kitchen furniture which they put on sale through their first showroom in west London.

The following year saw not only the incorporation of the company, but also the launch of an advertising campaign through the pages of glossy home interior magazines—a campaign which has become an established part of the marketing strategy. Sales rapidly took off.

The difference between Smallbone and other fitted kitchen suppliers is that it offers a bespoke service to the top end of the market.

Although its kitchens come from one of three basic ranges, the company's vertically integrated structure—with its own designers, factories, retailing operation and installation staff—enables it to provide a kitchen to meet each customer's individual requirements. Even dog kennels are incorporated if required.

Sales tend to be concentrated in the more prosperous parts of the country—notably the South-East—where people have increasing amounts of money to spend on furnishing their homes, but are decreasingly inclined to spend time on the process.

"Going around 25 different suppliers to put together a furnishing package is one hell of a task," says Mr Clark. "What we offer people instead is a total design concept."

Mr Clark says demand has risen as house prices have soared because people are generally prepared to spend about 10 per cent of the house purchase price on their kitchen. "Back in 1980 about £4,000 used to be top whack, but now it's nothing to get an order worth £20,000 from people you wouldn't consider wealthy," he says.

The number of showrooms has now grown to 11, including one in Harrods. Last year two ranges of bedroom furniture were added to the company's products and this year it is expanding into bathrooms.

The prospectus for next week's placing will show profits rising from £24,000 to £788,000 in the last five years on turnover up from £1.8m to £10.5m. However, this excludes the ill-starred acquisition of a floor tiling company called Sheppard Day in 1984, a company which made heavy losses and was liquidated in March.

About 1.5m shares will be sold in the placing at around 165p, a price which would put the company on a historic price/earnings ratio of 15. This compares with 12.5 for Spring Ram, the fast-growing bathroom and kitchen fittings manufacturer, but Spring Ram supplies a wider market through DIY retailers, and Smallbone, not surprisingly, would prefer to be compared with Laura Ashley on a historic p/e of nearly 30.

All-round improvement lifts Slaters to £1.2m

Slaters Food Products, USM-quoted food manufacturer and distributor, lifted pre-tax profits to £1.17m for the year ended April 5 1986, compared with a reported figure of £486,000 and £664,000 as restated. All operating divisions showed improved results.

After-tax earnings per 10p share rose from a restated 9.8p to 14.8p and the dividend total is increased by 0.6p to 2.8p net, with a final of 1.6p.

On April 2, the group paid £2.1m for Uncle Wong Food Products, maker of chilled and frozen prepared meals. The 1986 results and the corresponding figures have therefore been restated to include Uncle Wong's results for the full period, in accordance with merger accounting principles.

Uncle Wong's pre-tax profits for the 57 weeks to April 5 1986 were £247,000 (£178,000 for 52 weeks to February 28 1985). This acquisition, and the purchase of a Manchester frozen pie and donghnut business, have broadened the product base of the group.

In the current year it is anticipated that the group will have a turnover in excess of £10m in prodnct areas other than frozen sausage and beefburgers. Group turnover in 1985-86 increased to £22.25m (£17.27m).

Mr Derek Cooper, the chairman, says the group's opportunities from its broader product and customer base are more exciting than at any previous stage in the gronp's development.

As a result, the directors view the future with confidence and believe that prospects for the current year are encouraging.

Thomas French confident

CONTINUING LOSSES in Australia and South Africa have again hit Thomas French and Sons. But its underlying strength and recovery prospects justify holding the interim dividend at 1.15p net per share, the directors state.

In the half year ended March 29 1986 sales were maintained at £13.4m (£13.3m) but the pre-tax profit fell from £742,000 to £451,000. The UK increased its contribution by 26 per cent to £779,000, whila the loss in Australia of £253,000 was due substantially to final exceptional costs of the merger with Newell Products.

There were further operating losses of £177,000 in South Africa, and negotiations are advanced for tha sale of this business.

Benefits of sales and new distribntion agreements in Australia will be reflected in a better second half, but full impact will not come until next year, the directors atate.

Group products includa curtain styling (Rufflette) and electronics. The directors say the half-time result obscures substantial progress made towards both recovery and the concentration and development of the business.

Tha sala last month of Lilleys Narrow Fabrics is expected to raise a minimum £900,000 cash. French has agreed to buy the minority 8 per cent holding in Tekdata for £266,250, to ba met partly by the issue of 375,000 shares.

After tax and minorities the half year's net profit came to £49,000 (£349,000) for earnings of 0.44p (3.1p).

Brownlee improves in second half

ALTHOUGH second half profits of Brownlee, Glasgow-based timber and builders' merchant, improved over the first six months, the March 31 1986 total of £891,000 pre-tax, was far short of the previous year's £2.6m.

The contribuition in the second six months was £577,000 (£811,000) and while there was no very significant upturn in demand, the period did not suffer in the same way as the first from the adverse effect on margins of the substantial stock held at the beginning of the year, the directors state.

Reduced stockholding at the year end is now more in line with expectations of sales in the immediate future, they add—total turnover for 1985-86 was £35.91m (£34.56m).

Mr R. B. Jack, the chairman, says that the exceptionally difficult trading coniditions since the W. Lang (Paisley) acquisition last August hava prevented the group from exploiting Lang's full potential within the group. He adds, however, that the group remains confident of the benefit in the longer term and plans are well advanced for the introduction of an "all prodncts" service at Paisley.

Mr Jack says that as the full year's results show that the decline in profitability has been arrested, the total dividend is maintained at 4p net per share wiht a final payment of 3p (2.7p). Also proposed is a one-for-two scrip issue.

Mr Jack says that 1985/86 saaw the group at the bottom of a downturn and trading conditions remain difficult with little sign of an npsurge in demand. The group remains confident, however, "that we can more than hold our own and . . . even increase our market share in the intensely competitive environment in which we shall have to operate."

Profits for the year were after interest charges of £188,000 (£57,000)

Earnings per share are shown as 4.1p (9.3p).

Grand Met reorganises

GRAND METROPOLITAN has formed a new brewing and retailing division incorporating Watney Mann & Truman Brewers, The Berni and Host Group, Clifton Inns and Holsten Distributors. Mr I. A. Martin, a director of Grand Metropolitan, and currently chairman and chief executive of Watney Mann & Truman Brewers, has been appointed chairman and chief executive of the brewing and retailing division. Reporting to Mr Martin will be: Mr B. J. Gibbons, managing director of The Berni and Host Group; Mr J. Jagger, managing director of a group of agency companies comprising Holsten Distributors, Watney Mann National Sales and Watney Mann & Truman Brewers Export; Mr J. B. McGrath, managing director of Watney Mann & Truman Brewers; Mr A. O. Norman, managing director of Clifton Inns; Mr R. G. Williams, managing director of MER Property; Mr K. Holloway, commercial affairs director; Mr W. D. Shardlow, personnel and administration director; and Mr B. Wright, finance director, who joins Grand Metropolitan from the Imperial Group, where he was the finance director of Imperial Brewing & Leisure.

*

Mr Michael Hammond has been appointed managing director of ALLIED BREWERIES TAKE HOME, the wholesaling company serving the beer division of Allied-Lyons from August 1. Mr Hammond has been sales and marketing director of Sol-Tesco since the company was formed in 1983.

*

Mr Jean-Claude Fauconnier has been appointed general manager of the MAY & BAKER chemical division in succession to Mr Alain Colne who has recently taken up a new post in Paris. Mr Fauconnier has been with the Rhône-Poulenc Group, May & Baker's parent company, for 23 years and was previously general manager of Rhône-Poulenc Netherlands. His new responsibilities cover the activities of May & Baker industrial, laboratory and photographic chemicals as well as Rhône-Poulenc (UK) and Rhône-Poulenc Systems.

*

ADP FINANCIAL INFORMATION, a company formed by Mercantile House Holdings and Automatic Data Processing Inc, has made the following appointments to its board: Mr Ken Archer (Mercantile Information Systems), Mr Ric Duques (Automatic Data Processing Inc), Mr John Caven (ADP Financial Information Services), Mr Stuart Goldsmith (Automatic Data Processing), Mr Ralph Koehrer (ADP Financial Information), Mr Marc Lichtman (ADP Financial Information Services), Mr John Reeve (Mercantile House Holdings), Mr Andrew Sommerville (Mercantile House Holdings), and Mr Nigel Webber (Mercantile House Holdings).

*

Mr Jack Wigglesworth is to become head of distribution at LLOYDS MERCHANT BANK (GOVERNMENT BONDS), the new gilts subsidiary of Lloyds Merchant Bank, formed earlier this year. He was until recently partner of W. Greenwell & Co. Mr Wigglesworth was a member of the Financial Futures Working Party and of the Steering Committee of LIFFE (London International Financial Futures Exchange) in 1980, and became a board director of LIFFE and chairman of the contract committee in 1982.

*

As part of a management reorganisation at PEERLESS Mr Pieter Hazenberg and Mr Stuart Roy Edwards have been appointed as group financial director and company secretary respectively. Mr Hazenberg is financial director of five group subsidiary companies and Mr Edwards is the group chief accountant. Mr John Michael Mason has relinquished his post as company secretary and financial director and has agreed to make himself available to assist the management as required.

*

As part of its continuing programme to streamline the company's organisation, BRITISH AEROSPACE is to amalgamate its naval weapons division with the electronic systems and equipment division. The new division will become operational on January 1, 1987 with its headquarters at Bristol and Mr P. Brighton, currently managing director of electronic systems and equipment division, will be the new divisional managing director. At the same time, Dr D. Bowley, naval weapons division's managing director, will retire.

*

Mr Ron Emery, director industrial relations, is to succeed Sir Derek Gaulter as director general of the FEDERATION OF CIVIL ENGINEERING CONTRACTORS upon Mr Gaulter's retirement at the end of the year. Mr Jack Bowen will continue as deputy director general and will have overall responsibility for external and economic affairs and public relations. Mr Ben Norton, director-legal affairs, has been appointed general secretary. His role will embrace legal affairs, finance and administration.

*

Mr R. H. Samuel has been appointed to the board of COSTAIN GROUP. Joining Costain in 1959, Mr Samuel has worked for group companies in Iran, Nigeria, the US and Britain. Currently he has overall responsibility within the newly-established engineering and construction organisation of the group for UK managed mining operations, dredging, concrete products, the group's investment in the GKN Kwikform scaffolding business and for venture investments to promote construction opportunities.

FT COMMERCIAL LAW REPORTS

Sellers to ensure ship can discharge

EURICO SpA v PHILIPP BROS
Queen's Bench Division (Commercial Court): Mr Justice Staughton: May 20 1986

WHERE A contract of sale of goods afloat provides that the ship may discharge at any port to be nominated by the buyers from an agreed range, it is for the sellers to ensure that the ship is capable of discharging from any such port, and they therefore cannot claim demurrage from the buyers for the time lost because the ship lies too deep in the water to enter the nominated port.

Mr Justice Staughton so held when allowing an appeal by Philipp Bros, buyers of cargo, from a decision of the Council of Appeal of the London Rice Brokers Association, that they were liable to the sellers, Eurico SpA, for demurrage incurred when the Epaphus was unable to enter dock.

* * *

HIS LORDSHIP said that under the terms of a charterparty the Epaphus proceeded to India to load a cargo of rice, and to carry it to "one port East Africa." The charterparty provided that time for discharging was to count "from 8 am on next working day after ship is reported and in every respect ready."

Pursuant to the charterparty rice was shipped at Kandla and bills of lading were issued providing for carriage to Mombasa. Then the original sale fell through. In consequence the cargo was sold afloat.

The bills of lading had come into the possession of Philipp Bros, the charterers' associated company. On May 6, 1981 Philipp agreed to sell and Eurico agreed to buy the rice shipped at Kandla "for one main Italian port to be declared."

The sale contract provided that time for discharge was to count "as per charterparty. Copy of charterparty to be sent to buyers."

The charterers had contracted with the shipowners to pay demurrage if the ship was not discharged within the time allowed. But discharge under the sale contract was to be the responsibility of the buyers, who were to pay demurrage to the sellers if laytime was exceeded.

Once the sale contract was concluded it was necessary that the terms of the contract of carriage be varied, and that the ship should change course. It was agreed that the destination in the bills of lading be changed to "North Italian port."

The buyers declared Ravenna as discharge port and at 12.45 pm on May 19 the vessel reached the outer anchorage there. She gave notice of readiness at 13.00 hours but the port authorities would not authorise her entrance as her draft exceeded the allowable maximum. She lay too deep in the water.

As the vessel was anchored so far out it was impossible to lighten her where she was and it was arranged that she should go to Ancona, where she discharged part of her cargo. She returned to Ravenna and presented a further notice of readiness at 9.40 hours on May 28, finally berthing on May 30.

It was then found that the cargo was slightly infested with live insects and as a result the port authorities required fumigation before discharge. A disinfestation certificate was received on June 11. The vessel commenced discharging on June 12 and completed on July 16.

The time allowed for discharging was only five days 21 hours. The sellers claimed demurrage for over 39 days, amounting to $121,808. They said the buyers could not lawfully nominate Ravenna as the port of discharge as the vessel could not enter the port.

The buyers said that only $51,557 was due, which they paid. They said the sale contract gave them the right to nominate any "main Italian port" and by agreeing to that contract the sellers undertook that the vessel could reach all main Italian ports.

That argument was not accepted by the first tier arbitrators of the London Rice Brokers' Association, or by the Council of Appeal.

When notice of readiness was given on May 19 the vessel had to be "in every respect ready" to discharge, in accordance with the charterparty. She was not ready because she could not enter the port. The sellers did not dispute that, but they said the situation was the result of an unlawful nomination and the buyers could not be heard to say that the ship was not ready; or she must be deemed to be ready.

The buyers habitually used Ravenna to discharge rice and must have known the draft limitation at that port. The sellers could no doubt have discovered it quite easily if they did not know already. The situation as to the ship's draft was different. The charterers knew what it was because it was stated in the charterparty and they had guaranteed to the shipowners a depth of 29 feet at discharge port.

But the sellers failed to supply a copy of the charterparty to the buyers, which the sale contract had required them to do, and they did not exact a corresponding guarantee of depth from the buyers.

Mr Merriman, for the buyers, submitted that the sellers had contracted that the vessel could go to any main Italian port; and if the buyers nominated one such port which the vessel could not reach, it would be the sellers who were in breach of contract.

There was no express authority on the point in connection with a contract of sale. Mr Grace, for the sellers, argued that the nomination of a port under a charterparty was analagous.

In *Reardon Smith Line v Australian Wheat Board [1954] 2 Lloyd's Rep 148* Chief Justice Dixon, in a dissenting judgment, said that when the charterer specified the place at which he desired the cargo to be delivered "the shipowner must take the responsibility of ascertaining where he can safely berth"; but when the charter limited the choice to "safe" ports the purpose was "to impose on the charterer the necessity of . . . avoiding an unsafe port."

That dissenting judgment was upheld in the Privy Council (*[1956] AC 266*). Thus if the charterparty was for one named port, the shipowner must satisfy himself that his ship could go there; if it was for one safe port out of range, such as East Coast of Italy, it was for the charterer to nominate only a port which the ship could safely use.

But what of the position where the charterer was to nominate one from a list of named ports, or one from a range, and in neither case was he expressly required to nominate a safe port? There was as yet no accepted doctrine in charterparty cases where the word "safe" was not used.

There was accordingly no support for Mr Grace's argument in the charterparty cases.

Mr Merriman referred to *Marshall, Knott and Barker v Arcos [1933] 44 Ll L Rep 384*. The judgment showed that where there was one named destination it was the seller's responsibility to select a ship which could get there—and to obtain a contract of carriage which obliged her to go there rather than as near as she could safely get.

That seemed good sense, since the seller had the choice of ship. The Epaphus was named in the sale contract. In such a case the sellers were especially likely to know the characteristics of the ship under the contract of carriage at the time the sale contract was made.

Mr Merriman was right in his submission that the sellers undertook that the ship was capable of entering all main Italian ports.

It followed that time did not start to count when the vessel first arrived at the anchorage near Ravenna. She was not then ready to discharge and there was no reason why the buyers should not rely on that.

With regard to the need for fumigation, the problem was the insects in the buyers' cargo. The ship was fit and ready to do her part.

There being no finding that the insects were the fault of the ship, she was ready to discharge. Time started to count at 8.00 hours on May 29 following notice of readiness given at Ravenna on May 28.

For the buyers: Nicholas Merriman (Middleton Potts & Co).

For the sellers: David Grace QC, (Ingledew Brown Bennison & Corret).

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full texts of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831-0391.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

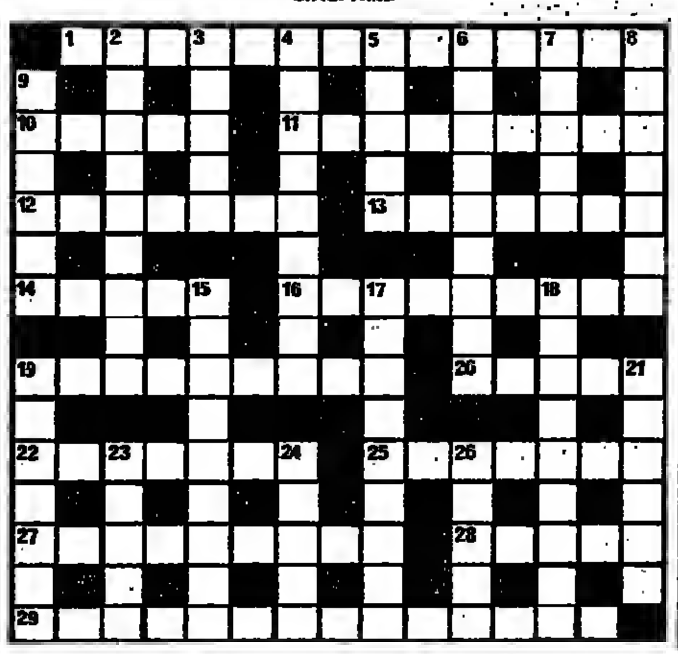
"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. 1 Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. z Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‡ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ✝ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under 535 (4) (a) †† Official London listing.

F.T. CROSSWORD PUZZLE No. 6,046

CINEPHILE



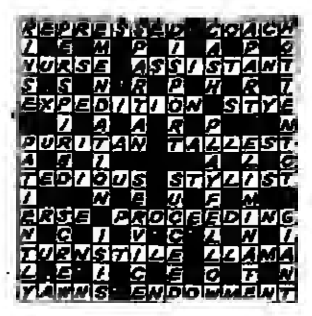
ACROSS

1 One to come down in a cheerful setting—excellent! (1, 3, 2, 3, 5)
10 A right to issue in crime (5)
11 Piece of gymnastics going round after horse? (9)
12 Act 1 is a translation, possibly Chinese (7)
13 Work on a problem: he doesn't approve (7)
14 Keen musical following for a Jew (5)
16 Early 20th century rendering—add new air (9)
19 Great Bear Island, well known for lunch (9)
20 Jewel, best article last (5)
22 Answer for outsize model, externally mature (7)
25 Blessing part of Scots house is possible (7)
27 When Egyptian city lost its leader, I sighed audibly, like Crippen (9)
28 It was John's place to look haggard (5)
29 Spiv gets stigma, and for good (5, 9)

DOWN

2 Bachelor's money trouble is torture (9)
3 Reversible belief? (5)
4 Confront the elite—it may well be jarred (4-5)
5 Go-slow by student on old ship (5)
6 Hard stuff for pair with wrist broken (3, 6)
7 Rogues sometimes get shot in the dark (5)
8 Navigational aid gives eternal trouble (7)
9 Worry holds painters inside (6)
15 Order to depart and remain puts spring in one's step (4, 5)
17 Move eyelid and put in funny beard—hedge, perhaps (9)
18 Pretending to be someone else is dirty, nothing sainted in it (9)
19 Forward with part of the city's alarm (7)
21 Form of religion badly hit at the top (6)
23 Italian river takes on a town in India (5)
24 Heath in USA? (5)
26 Thing adapted for the dark (5)

Solution to Puzzle No. 6,045



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst	84 9	89 7xd	+0 9	1 6
Far East & Gn Tst	88 2	93 8	+4 2	1 0
Intl Growth Tst	66 6	70 9xd	+2 1	0 8
Income Tst	60 2	64 0	+2 5	5 6
Japan Growth Tst	107 2	115 3	+0 7	0 2
Small Co's Tst	115 9	124 7	+0 4	1 9
Tchnlgy Tst	34 2	36 7xd	+1 2	9 2
Australia Trust	42 4	45 5	-0 3	1 9
UK Trust	126 4	134 5xd	+0 2	2 0
European Growth Tst	48 1	51 4		1 2
Hong Kong Tst	20 1	21 5	+0 1	1 5

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15 4	17 0		0 15
Pacific Basin Fund	14 4	15 3		0 2
Canadian Balanced Growth	60 2	64 3		9 71
Gende Mar	98 4	103 5		8 0

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS7 8SS 0272 428431

British Smlr Co's (z)	55 0	56 6	-0 3	1 75
British Growth (z)	63 8	65 6	-0 5	1 75
British Income (z)	63 0	64 8	-0 3	4 50
British Extra Yield (z)	51 1	52 6	-0 3	5 50

Whittingdale Unit Trust Managers
2 Honey Lane London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Tst	67 1	68 2	-0 1	0 59
U.S. Govnmt Bond T	50 498	0 581		—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	88 5	91 7	-9 5	7 71
Growth Trust	50 8	54 1	+0 1	2 27
Income Trust	53 7	57 2		5 12

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01 588 0592
Growth Fund 67 8 71 3xd 1 96
Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pl, Fenay Bdge Huddersfield 0484 602250
Y.G.T. 117 5 125 0xd +9 3 3 35

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

Cannon Assurance Ltd—Continued

Index	115 3	121 1	—
Far East	160 2	170 5	-0 8
Global	94 5	100 0	—
European	95 1	100 6	-0 2
Japan	96 6	102 4	-0 1
2nd Series Pension Accumulation			
Equity	475 4	503 1	-5 5
High Income	311 2	327 5	-1 6
Property	276 0	292 4	—
Managed	328 7	347 8	-2 8
Deposit	247 7	262 1	—
Gilt	256 4	271 3	-2 2
American	275 0	296 1	-3 4
International Money	251 6	266 2	-1 7
Index	126 1	133 4	-0 1
Far East	172 4	182 4	-0 9
Global	94 5	100 0	—
European	95 1	100 6	-0 3
Japan	97 1	103 0	-0 2
Other Funds			
Equity Units	64 61		-0 94
Property Units	21 10		—
Equity Bond/Exec	40 83	42 78	-9 59
Property Bond/Exec	28 45	30 11	—
Balanced Bond/Exec	32 65	34 55	-0 49
L&E SIF 1	106 5	112 5	-2 0
L&E SIF 2	70 0	74 0	-1 0

Chase de Vere Investments Ltd
63 Lincoln's Inn Fields, London WC2 01-404 5766
Portfolio Mngt Service 127 6 134 1 -1 9

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	100 9	106 0	—
Rock & Howard Bond	120 0	127 0	-1 0
Murray Johnstone Fd	116 0	123 0	—
Money Market Fd	99 0	105 0	—
Ivory & Sime Pen. Fd	94 0	100 0	—
Rock & Howard Pen. Fd	133 0	140 0	—
Murray Johnstone Pen. Fd	113 9	120 4	—
Money Market Pen. Fd	99 0	105 0	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes, MK9 2LA Tel 0908 606101/660888

Current Series			
Property Fund	111 8	117 7	—
Money Fund	218 1	229 6	—
Managed Fund	397 2	418 2	-2 7
Equity Fund	346 2	364 4	-1 2
Fixed Interest Fund	147 4	155 2	-2 6
Far East Fund	179 4	188 8	-0 4
North American Fund	188 5	198 5	-1 0
Natural Resources Fund	121 2	128 4	-1 0
S.U.N. Flag Fund	119 3	125 6	-4 2
Pension Managed Fund	371 3	391 3	-2 0
Pension Equity Fund	238 2	250 8	-1 0
PBF Fund	121 3	127 7	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566
Investment Funds

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Phillips & Drew Trust Ltd
120 Moorgate, London EC2M 6XP 01-628 9771
High Int Chq Acc ..... 10.125 7.57 10.97 Qtr

Provincial Trust
30 Ashley Rd, Altrincham, Cheshire 061 928 9011
High Int Chq Acc ... 10.25 7.68 11.17 Mth

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE 031-556 0201
Premium Account ..... 9.50 7.10 10.27 Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB 0708 66966
H I C A ..... 9.36 7.00 10.21 Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241
Demand Acc ..... 9.64 7.20 10.42 Qtr
Money Acc ..... 9.53 7.12 10.31 Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc ..... 9.25 6.91 10.04 Mth
Over £10,000 ..... 9.50 7.13 10.34 Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 24141
High Int Chq Acc ..... 9.87 7.38 10.67 Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ♦ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	28	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowater	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit Telecom	17	TI	42
Brown (J)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadbury	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	20	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Woolworths	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Sec	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS A	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	21
Hanson Tst	26	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
Imps	28	Premier	3
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Platinum climbs to 3-year peak

By Stefan Wagstyl

PLATINUM PRICES soared in London to a new three-year high yesterday following news of South Africa's declaration of a state of emergency.

The metal was fixed at $450.50 an ounce, up $14.50 on the day, the highest fix since mid-1983, as prices rose to match and then exceed the levels seen in New York on Wednesday. In New York yesterday prices climbed further with metal for July delivery touching $455.50 an ounce before closing $10.2 up at $454.2.

Meanwhile, Mr Robin Plumridge, chairman of Gold Fields of South Africa, said that platinum prices were now too high. "We certainly do not believe the current price is sustainable. We think there will be a downward adjustment in due course."

Mr Plumridge, who was visiting London to announce details of the group's plans for a new platinum mine, added that the current price reflected nervousness about South Africa.

GFSA's subsidiary, Northam Platinum, intends to develop a mine in north-western Transvaal which is to start production in 1991.

Bangkok meeting

THAILAND PLANS to host a meeting of seven major commodity producers to seek counter-measures against subsidised US agricultural exports. Commerce Minister Mr Surat Osathanugrah said in Bangkok, reports Reuters.

He said Thailand expects the meeting to work out joint positions in the fight against stepped-up US competition arising from the new US Food Security Act. He did not mention a date.

The countries to be invited are Argentina, Australia, Brazil, Canada, New Zealand and Uruguay.

Surplus study group

AN INTERNATIONAL study group aimed at examining free market solutions to the problem of the world over-supply of grain and grain products has been set up by the Chicago *Board of Trade* (CBOT), *writes* Tim Dickson in Brussels. The group will consist of two European representatives of agricultural organisations or universities who will work closely with top US academics.

"We must have an international response to the growing international farm crisis," Mr John Gilmore Jr, chairman of the CBOT, said yesterday. "We must look to an alternative based on a gradual programme of limiting Government support throughout the developed countries. At the same time we must also regard the need to maintain the family farm and agricultural activity."

A preliminary research paper will be presented in Chicago in November, at which time a final study will be proposed.

Pesticides plan

DANISH FARMERS' organisations have put forward a plan to cut the use of pesticides and herbicides by a quarter over the next five years, writes Hilary Barnes in Copenhagen.

The plan includes a request to the Government to increase by 50 per cent the present excise tax on agricultural chemicals as well as a proposed levy on chemicals by the industry itself.

The proceeds of the levy will be used to strengthen research into the use and effects of chemicals and to improve information and consultancy services to the farmers.

The Association of Chemicals Producers, which is a party to the plan, will establish a marketing code of conduct to restrain over-aggressive marketing and sales methods and to adjudicate on complaints.

Kuala Lumpur to allow trading of foreign tin

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA is to open its Kuala Lumpur Tin Market (KLTM) shortly to Thai, Indonesia, and Australian miners in an attempt to head off the possible opening of a rival tin market in nearby Singapore.

The Malaysian Government is at pains to emphasise that it now has no objection to neighbouring tin producers offering their metal on the KLTM, and indeed small quantities of Thai and Indonesian tin have been known to be traded unofficially on the KLTM.

Datuk Paul Leong, the Minister of Primary Industries, is expected to discuss opening the market to non-Malaysian tin miners with KLTM officials next week. He will also meet officials of the Kuala Lumpur Commodities Exchange (KLCE) to discuss the possibility of introducing tin futures trading on the KLCE by the end of the year.

A Ministry of Primary Industries official pointed out that the original reason why the KLTM was limited to Malaysian-smelted tin was to enable Malaysian miners to get a better price than could have been obtained on the London Metal Exchange. This is no longer applicable, following the collapse of buffer stock operations by the International Tin Council and the end of tin trading on the LME.

The official said participation by neighbouring producers would instil broader confidence in the KLTM, and ensure that prices were more reflective of market forces.

Business groups in Singapore European commodity traders have expressde interest in starting tin trading in the Island Republic but Malaysian officials say such a move would be regarded as an "unfriendly act", since all of Singapore's tin producing neighbours are already suffering from depressed prices.

Meanwhile a delegation from the Thai Mining Industry Council will visit Kuala Lumpur next week for discussions with their counterparts in the All-Malaya Chinese Mining Association to discuss co-operation, in particular with regard to marketing of tin and possibility of joint ventures.

Some cash-rich Malaysian groups are interested in setting up ventures in Thailand where costs are much lower owing to high grades of deposits and lower labour costs.

Malaysia Mining Corporation, the country's largest tin producer, said yesterday that 20 of its 42 dredges remained out of operation throughout May. Group concentrate production for the month totalled 954 tonnes, compared with 1,024 tonnes in May 1985.

Another trader wins claim against ITC

BY STEFAN WAGSTYL

AMALGAMATED METAL Trading, a London Metal Exchange broker which suffered losses in the tin crisis, has won a £5.3m arbitration award against the International Tin Council.

In a judgement published yesterday, AMT won an award for the amount of a margin call—or deposit—it demanded from the tin council on October 24, the day the ITC defaulted on debts totalling £900m, plunging the market into difficulties. The council ran out of money administering an inter-government tin price support pact.

AMT said the award was a preliminary step in its overall claim for damages. It plans further action against the ITC and its 22 member governments. Its parent company, Amalgamated Metal Corporation, a subsidiary of the West German metals group Preussag, is claiming a total of £27m.

Most of the 12 LME broking companies with outstanding claims against the tin council are pursuing arbitration claims under LME rules. Maclaine Watson, part of the Drexel Burnham Lambert financial house, has won a partial award to cover margin payments due to it. J. H. Rayner, a subsidiary of S & W Berisford, the trading company, won an award against the tin council under the terms of the fixed price settlement imposed by the LME authorities in March. This set a price of £6,250 a tonne on outstanding contracts.

Several brokers are proceeding very cautiously because the fixed price settlement faces legal challenges from Shearson Lehman Brothers and Shearson Lehman Metals, both subsidiaries of American Express. Some brokers are reluctant to win awards on the basis that Rayner has done in case the fixed price settlement is overturned by the High Court when it hears Shearson's case against the LME authorities. A date for this has yet to be set.

Spanish fishermen lift French port blockade

BY DAVID WHITE IN MADRID

SPANISH BASQUE fishermen yesterday lifted their blockade of the French port of Hendaye as the Madrid authorities prepared for urgent negotiations and kept an anxious eye out for counter-protests by French fishermen.

The blockade, which threatened to spark off a serious row between France and Spain, was called off after a senior Spanish fisheries official promised fishing-boat owners that they could send representatives to talks due to be held under the auspices of the European Commission.

Several hundred boats, amassed since Monday in the estuary between Hendaye and the Spanish port of Fuenterrabia returned to other Basque harbours, leaving only the 60 local vessels.

The situation at the two border ports was reported to be back to normal, with the departure of several French navy units and a Spanish navy vessel which had been sent in. Coastal fishing boats in the Santander region of northern Spain are meanwhile being kept in port *pending* the outcome of discussions.

Spanish officials were hoping that talks with France and the Commission on fishing rights in the disputed French zone of the Bay of Biscay would get under way in Brussels on Monday. Mr Carlos Romero, Spain's Minister of Agriculture, Fisheries and Food, said the Government would try to speed up the negotiating process so that Spanish boats could resume fishing in the zone as soon as possible.

However, fishermen in Hendaye and the other French ports of Bayonne and Arcachon are strongly opposed to negotiating Spanish access to the zone denominated VIII C. Their Spanish counterparts claim that this zone is a traditional and important fishing ground

Australian farmers stick with wheat

By Patricia Newby in Melbourne

THE AUSTRALIAN wheat crop appears to have been sown as usual this autumn in spite of predictions of lower prices and losses for many wheat growers.

Apart from some switch to lupin growing in Western Australia, there is little evidence of Australia's hard-pressed grain growers moving out of wheat. According to Bureau of Agricultural Economics (BAE) figures, slightly more land will be sown to wheat this year compared with last, but lower yields will mean a slightly smaller crop.

Rain throughout most of the wheat belt since April has eased earlier concerns that a drought might be developing, but lack of rain last summer has lowered soil moisture content so yields will be affected.

With about 70 per cent of the wheat crop already sown, the BAE is predicting a harvest of 15.5m tonnes. This compares with just over 16m tonnes harvested in the 1985-86 season and 18.7m tonnes in 1984-85 which was the second biggest crop on record.

The BAE has slightly raised its estimate compared with a month ago. But the private forecaster Australian Wheat Forecasters has lowered its second estimate for the 1986-87 wheat crop. The company is now predicting 14.8m tonnes compared with last month's prediction of 15.4m tonnes.

The Australian Wheat Board believes growers will get around A$12 a tonne less for next season's crop because of general lowering of prices expected in the wake of the US Food Security Act.

The BAE has predicted that as many as a third of Australian family wheat farms will make losses in the next financial year which begins on July 1.

Traders warn of Central American coffee tightness

CENTRAL AMERICAN coffee is in tighter supply than admitted by producers, and a world shortfall of 7m bags (60 kilos each) during the 1986-87 coffee year given by Latin American producers is conservative, traders said in Bogata, reports Reuter.

Eight countries — Brazil, Colombia and six from central America—said on Tuesday at the end of a two-day closed door meeting in Bogata that the projection for the next coffee year was one of shortage with central American stockpiles reaching critical levels after the end of the current coffee year, on September 30.

The participants at the Bogata summit issued a communique warning of short supply and dwindling stockpiles but did not release any figures.

These working figures were obtained by Reuters and showed that Central American stocks at end-September would drop to 1.59m bags, compared with an average of 3m.

But traders said a report based on serious investigations by experts and circulating among major producers, including Brazil and Colombia, showed these stocks would dwindle to a maximum 600,000 bags by the end of September.

Big crops bring jute price gloom

BY SAYED KAMALUDDIN IN DHAKA

THE WORLD jute industry has, over the past two seasons, provided a perfect example of the classic "boom and bust" commodity price cycle. Adverse weather in the 1984/85 crop season kept crops low in all jute producing countries, and prices soared as a result. Encouraged by those high prices jute farmers increased their plantings for 1985/86 and, helped by excellent weather, produced bumper crops which have sent prices to the floor.

Nowhere are the painful economic consequences being felt more keenly than in *Bangladesh*, the world's biggest exporter of raw jute and jute goods. The industry, which accounts for nearly 70 per cent of the country's export earnings and employs about 250,000 workers, lost nearly $90m in 1984/85 and is expected to lose a further $55m this season.

Bangladeshi growers harvested more than 1.35m tonnes of jute this season, up from a depressed 830,000 tonnes in 1984/85. But sagging prices have meant that the actual value of the crop has declined by more than 12 per cent.

During the first ten months of last season, when India, China, Thailand and Nepal also had short crops, Bangladeshi raw jute fetched an average price of $573 a tonne. Over the same period this season prices averaged only $309 a tonne, having dropped at one stage to $180. The average cost of producing jute in Bangladesh is put at around $270 a tonne.

The country's own mills take about 615,000 tonnes of raw jute a year with another 108,000 tonnes going to the *handicrafts sector*. A further 380,100 tonnes was originally earmarked for export this year but the target has been revised to 416,300 tonnes. Even so with total availability at 1.5m tonnes (including 145,000 tonnes carried forward from 1984-85) close to 400,000 tonnes will have to be carried over into the 1986-87 selling season.

The jute growers, having burnt their fingers this year, are expected to cut their plantings from 1.7m acres to about 1.3m, reducing production to somewhere between 724,000 and 814,000 tonnes for the 1986-87 season. So total availability should be in the 1.1m to 1.2m tonnes range.

Even if the increased target is fulfilled Bangladesh's raw jute export earnings for this season are expected to reach only $134.82m, instead of the $141.82m envisaged from the original target. In terms of local currency, however, earnings would reach 4bn taka against an original target of 3.9bn taka.

Meanwhile, earnings from exports of jute goods are set to fall well short of initial expectations. The aim was to export 560,000 tonnes of goods, worth an estimated $378.18m. But the total is now forecast to reach only 462,000 tonnes, earning $316.52m.

Bangladesh is only the world's second largest producer of jute goods with production capacity for 600,000 tonnes a year against India's 1.3m tonnes. But whereas India's home market consumes nearly 80 per cent of its production Bangladesh has to find overseas markets for more than 90 per cent of its output.

The Middle East has emerged as the biggest market for Bangladeshi jute and jute goods, *taking about a quarter* of the total. Next comes the EEC with 18 per cent, followed by the US, 17 per cent; Africa, 16 per cent; and Australia, 5 per cent. The US remains Bangladesh's largest market for carpet backing cloth, taking about three quarters of the total, although its carpet manufacturers are gradually switching to synthetic materials. Meanwhile the past two years has seen an increase in EEC purchases of carpet backing cloth, in spite of the high price level.

African and Middle Eastern countries have emerged as very large buyers of both hessian and sacking. Improved weather in Africa following the drought has already revived demand for jute goods, which had slipped from 163,000 tonnes a year to 60,000 tonnes but this year are expected to reach 100,000 tonnes.

LONDON MARKETS

ZINC prices on the London Metal Exchange yesterday made up some of the ground lost earlier in the week as producers raised their European selling prices (ESPs) again and Cominco increased its US list price. Most of the large producers lifted their ESPs by $40 to $840 a tonne having announced similar rises only a week earlier. The LME cash price, which was also boosted by sterling easiness against the dollar, finished below the day's high at £545 a tonne, up £8, having been trimmed back by profit-taking. On the aluminium market the cash premium over the three month's position, which widened to over £90 a tonne early in the week on extreme tightness of nearby supplies, had been wiped out by yesterday's close and replaced by a more normal cash discount of £1.25 a tonne.

LME prices supplied by Amalgamated Metal Trading.

INDICES

MAIN PRICE CHANGES

US MARKETS

COMEX GOLD and silver futures were lower in active trading, unable to follow the surges in Nymex platinum, reports Heinold Commodities. Platinum eased slightly on profit-taking but remained strong on the unrest in South Africa, as a declaration of a state of emergency and reports of violence at squatter camps caused trader concern over disruptions in output. Commission house and local long liquidation sparked the sell-off in gold and silver. Coffee closed higher and recovered from its lows in volatile trading. Commission house and roaster price-fixing buying erased some early losses. Commission house sources remained sceptical about the statement by Colombia that there was a possibility of shortage in coffee at the end of the crop year.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to ease

The dellar lost ground in currency markets yesterday amid growing evidence thet the US economy is bowing signs of slewing down. Yesterday's US retail sales figures had been expected te show a rise of 0.5 per cent te 1 per cent but a fall ef 0.1 per cent effectively ruled eut the prospect of a dollar recovery. Early trading saw the US unit meet resistance at DM 2.20 and it moved up to a high of DM 2.2185 prior to the was sold again back towards the announcement. Soon after it day's low.

Hewever DM 2.20 and Y165 proved to be sticking points and reports of renewed intervention by the Bank of Japan were sufficient te prevent the dellar falling below these resistance levels. The dellar closed at DM 2.2100 down from DM 2.2120 and Y165.80 compared with Y166.30. Against the Swiss franc it fell to SFr 1.8260 from SFr 1.8275 and FFr 7.0475 from FFr 7.05. On Bank of England figures, the dellar'e exchange rate index fell to 114.8 from 114.9.

The South African rand did net react favourably to news of a state ef emergency being declared and the dollar was marked up again against the financial rand te R4.7650 from R4.5480.

Sterling — Trading range against the dollar in 1986 is 1.5555 to 1.3770. May average 1.5202. Exchange rate index 76.1 after opening at 76.3 and compared with 76.5 on Wednesday. The six months ago figure was 78.6

Sterling failed to benefit from a weaker dollar and finished at its weakest level of the day. The market was waiting for today'e UK inflatien figures which are expected to show a significant fall. If this is the case, there may may be increased pressure for a cut in UK bank base rates, despite Tuesday's disappointing money supply figures. The pound fell to $1.5230 from $1.5265 and DM 3.3650 cempared with DM 3.3775. Elsewhere it eased to Y252.50 from Y254 and SFr 2.78 from SFr 2.79. Against the French franc it fell to FFr 10.7350 from FFr 10.7625.

D-MARK — Trading range against the dollar in 1986 is 2.4710 ta 2.1640. May average 2.2295. Exchange rate index 135.4 against 130.1 six months ago.

The D-mark closed towards the high of the day against the dollar in Frankfurt yesterday. The US unit finished et DM2.2025 down from DM2.2085 en Wednesday. Earlier in the day it had been fixed at DM 2.2131 from DM 2.2070 and there was no intervention by the Bundesbank. Early shert covering had little overall effect as thn dellar was marked down dnring the afternoon on poor US retail sales figures.

JAPANESE YEN — Trading range against the dallar in 1986 is 202.70 to 161.85. May everage 167.01. Exchange rate index 206.6 against 177.8 six months ago.

The Bank of Japan was again active in currency markets in Tokye yesterday, trying to prevent the dellar from failing below Y165. The US unit closed et Y165.75 after Y166.10 in New Yerk and Y166.70 in Tekye on Wednesday. It was ebove the day's low of Y165.20, tenched in reaction to comments by Presiden Reagan expressing concern abeut debtor natiens defaulting en repayments.

£ IN NEW YORK

June 12	Latest	Prev. close
£ Spot	$1.5250-6260	$1.5280-1.5290
1 month	0.37-0.35pm	0.38-0.37pm
3 months	1.03-0.98pm	1.05-1.03pm
12 months	2.95-2.80pm	3.08-2.98pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

June 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5215-1.5316	1.5225-1.5235	0.37-0.36c pm	2.84	1.03-0.99pm	2.66
Canada	2.1137-2.1212	2.1160-2.1100	0.31-0.22c pm	1.58	0.63-0.49pm	1.06
Nethlnd.	3.78½-3.81	3.78½-3.79½	1½-1c pm	3.96	3½-3¼pm	3.80
Belgium	68.65-69.11	68.65-68.75	17-12c pm	2.53	47-38pm	2.47
Denmark	12.46½-12.52	12.46½-12.47½	2⅞-1⅝ore pm	2.17	7⅛-5⅞pm	2.08
Ireland	1.1100-1.1160	1.1112-1.1122	0.10-0.03p pm	0.76	0.19-0.03pm	0.40
W. Ger.	3.36-3.38¼	3.36-3.37	1½-1¼pf pm	5.36	4½-4¼pm	5.13
Portugal	225.82-229.20	225.70-228.90	96-296c dis	−10.31	265-610dis	−5.47
Spain	214.72-216.06	214.72-215.01	37-74c dis	−3.10	98-210dis	−2.87
Italy	2310-2326½	2310-2311	1-7 lira dis	−2.08	7-14dis	−1.82
Norway	11.48¾-11.54¾	11.48¾-11.49¾	3½-4½ore dis	−3.85	12-13dis	−4.35
France	10.71¾-10.77	10.73-10.74	2½-1⅞c pm	2.45	6⅞-5⅞pm	2.32
Sweden	10.88-10.95½	10.88-10.89	par-⅛ore dis	−0.34	par-⅛dis	−0.13
Japan	252-254¼	252-253	1½-1y pm	6.36	3⅞-3pm	5.65
Austria	23.63-23.76	23.63-23.66	10⅞-8⅞gro pm	4.88	28½-25½pm	4.52
Switz.	2.77½-2.79½	2.77½-2.78½	1½-1c pm	4.85	3⅞-3⅛pm	4.84

Belgian rate is for convertible francs. Financial franc 69.15-69.25. Six-month forward dollar 1.81-1.76c pm. 12-month 3.07-2.97c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5215-1.5315	1.5225-1.5235	0.37-0.36c pm	2.84	1.03-0.99pm	2.65
Ireland†	1.3675-1.3766	1.3715-1.3725	0.35-0.20c pm	2.41	0.80-0.55pm	1.97
Canada	1.3859-1.3880	1.3865-1.3875	0.14-0.17c dis	−1.34	0.53-0.58dis	−1.60
Nethlnd.	2.4800-2.4960	2.4880-2.4890	0.25-0.22c pm	1.13	0.77-0.72pm	1.20
Belgium	45.01-45.26	45.05-45.15	par-2c dis	−0.27	par-4dis	−0.18
Denmark	8.14-8.20¼	8.18½-8.19	0.15-0.70ore dis	−0.62	0.80-1.50dis	−0.56
W. Ger.	2.2000-2.2186	2.2095-2.2105	0.50-0.47pf pm	2.73	1.40-1.36pm	2.50
Portugal	148-149¾	148-149¼	100-225c dis	−13.04	275-625dis	−12.04
Spain	140.75-141.65	141.25-141.35	60-90c dis	−6.94	150-200dis	−4.95
Italy	1511-1522½	1516¾-1517¾	5-7½ lira dis	−4.93	15-18½dis	−4.41
Norway	7.52-7.56	7.54-7.54½	4.05-4.35ore dis	−6.67	13.15-13.45d	−7.06
France	7.01¾-7.05¾	7.04¼-7.05¼	0.15-0.30c dis	−0.38	0.45-0.70dis	−0.32
Sweden	7.12¾-7.17½	7.14½-7.15	1.80-2.00ore dis	−3.18	4.95-5.15dis	−2.79
Japan	165.35-166.60	165.75-165.85	0.35-0.30y pm	2.35	1.00-0.95pm	2.35
Austria	15.48-15.56¾	15.52½-15.53	3-2gro pm	1.92	9-6pm	1.93
Switz.	1.8150-1.8310	1.8255-1.8265	0.36-0.31c pm	2.19	1.10-1.00pm	2.20

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.40-45.50.
Correction for June 11— W. Germany close 2.2115-2.2120

CURRENCY MOVEMENTS

June 12	Bank of England Index	Morgan Guaranty Change %
Sterling	76.1	−15.4
U.S. dollar	114.8	+5.7
Canadian dollar	78.4	−19.3
Austrian schilling	135.5	+7.2
Belgian franc	95.5	−7.3
Danish Kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
US $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norway Kr	[illegible]	[illegible]	[illegible]
Span'h Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Drch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

* CS/SDR rate for June 11: [illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: two years 7⅞-8 per cent; three years 8⅛-8⅜ per cent; four years 8⅜-8⅝ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

[illegible]

* Selling rate.

STERLING INDEX

	June 12	Previous
8.30 am	76.3	76.5
9.00 am	76.3	76.5
10.00 am	76.3	76.4
11.00 am	76.3	76.4
Noon	76.2	76.4
1.00 pm	76.2	76.2
2.00 pm	76.2	76.1
3.00 pm	76.2	76.3
4.00 pm	76.1	76.5

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	43.9046	+0.52	+0.56	±1.5368
Danish Krone	[illegible]	7.95800	+0.48	+0.52	±1.6408
German D-Mark	[illegible]	2.15005	+0.55	+0.58	±1.1202
French Franc	[illegible]	6.85934	−1.57	−1.54	±1.3701
Dutch Guilder	[illegible]	2.42160	+0.51	+0.54	±1.5081
Irish Punt	[illegible]	0.709422	−0.50	−0.47	±1.6658
Italian Lira	[illegible]	1477.48	−1.25	−1.25	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Firmer trend

Prices of interest rate contracts were firmer on the London International Financial Futures Exchange yesterday. September US Treasury bend futures epened at 92-15, compared with 91.01 at Wednesday'e close, gaining ground on the overnight strength of the market in Chicago. The market drifted lower te 92-02, but also rallied te the day's peak of 93-15 befere the Chicago opening, and closed et 92-28. The fall of 0.1 per cent in May US retail sales, compared with expectations ef a rise of about 1 per cent, had little impact, after rumours on Wednesday of an even larger decline. The comment by Mr Manuel Johnson, vice chairman designate of the Federal Reserve Board, that other countries will have to take the lead in cutting interest rates, also prevented further geins by the contract. Today's figures on US producer prices and industriel production may previde further guidance for the market.

Long term gilt futures for September delivery opened et 121-04, and finished at 121-09, against 120-27 previously. Trading was rather nervous, as the recovery in US bends was offset by Tuesday'e disappeinting UK meney supply figures.

September three-mooth sterling deposits were firm, in expectation thet the meney supply figures have delayed, but not cancelled a base rate cut.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
118	6.01	7.08	—	—	0.47	1.60	—	—
116	4.34	5.54	—	—	1.16	2.42	—	—
120	3.18	4.45	—	—	2.00	3.33	—	—
122	2.17	3.46	—	—	2.63	4.34	—	—
124	1.32	2.57	—	—	4.14	5.45	—	—
126	0.60	2.13	—	—	5.42	7.01	—	—
128	0.36	1.42	—	—	7.16	8.30	—	—
130	0.20	1.14	—	—	9.02	10.02	—	—

Estimated volume total: Calls 227, Puts 412
Previous day's open int: Calls 6,347, Puts 2,730

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	5.24	7.33	—	—	1.32	2.47	—	—
90	5.04	6.21	—	—	2.12	3.35	—	—
92	3.59	5.17	—	—	3.03	4.31	—	—
94	2.62	4.21	—	—	4.06	5.26	—	—
96	2.12	3.32	—	—	5.20	5.47	—	—
98	1.37	2.63	—	—	6.45	6.03	—	—
100	1.07	2.16	—	—	6.15	5.30	—	—
102	0.49	—	—	—	9.57	—	—	—

Estimated volume total: Calls 273, Puts 55
Previous day's open int: Calls 1,251, Puts 310

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

	Latest	High	Low	Prev
June	90.70	—	—	90.63

Est. Volume 2,710 (6,888)
Previous day's open int. 18,216 (18,107)

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	158.80	159.30	158.20	157.80
Sept	161.30	162.00	160.70	160.00
Dec	163.75	—	—	162.45

Est. Volume 806 (835)
Previous day's open int. 2,379 (2,388)

THREE-MONTH EURODOLLAR

$1m points of 100%

[illegible]

US TREASURY BONDS

8% $100,000 32nds of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING Se per £

	Latest	High	Low	Prev
June	1.5275	1.5310	1.5265	1.5270
Sept	1.5170	1.5195	1.5165	1.5175
Dec	—	1.5110	1.5080	1.5085
March	—	—	—	1.4980

LIFFE—STERLING £25,000 $ per £

	Latest	High	Low	Prev
June	1.5275	1.5269	1.5227	1.5338
Sept	1.5175	1.5140	1.5125	1.5240
Dec	1.5100	—	—	1.5163

Est. Volume 77 (480)
Previous day's open int. 1,889 (1,678)

MONEY MARKETS

Mixed opinions on rate prospects

Dealers took an increasingly defensive view of the prospects fer lewer interest rates, en the Lendeo meney market yesterday. Three-month ieterbank eased to 9⅞-9¾ per cent from 9⅞-9⅞ per cent, but rates fer lenger periods tended to meve np slightly. Opinions were mixed on bow soon bank base rates will be cut, with mest discount bouses preferring to beld on to their bills, in tbe bepe that today's UK retail prices index will provide fresb impetus fer e downward move in rates. On the ether band, Tuesday's money supply figures are still regarded with concern, although the underlying reasons fer such a sharp rise ever the last three months in sterling M3 are not clear. At least ene discount bouse was prepared te sell bills en a feirly lerge scale to the autherities, in expectation that the Bank ef England will net be prepared te see lower base rates befere another set of meney supply figures.

The Bank ef England forecast a money market shortage of £700m, and provided total belp of £699m.

An early round of help was effered, and et that time tbe authorities bougbt £301m bills outright, by way of £42m bank bills in band 1 at 9⅞ per cent; £134m bank bills in band 2 at 9⅞ per ceot; £50m Treasury bills in band 3 at 9¾ per cent; and £75m bank bills in band 3 at 9¾ per cent.

A further £178m bills were purchased outright before lunch, through £2m bank bills in band 1 at 9⅞ per cent; £101m bank bills in band 2 at 9⅞ per ceot; £2m lecal authority bills in band 3 at 9¾ per cent; £68m bank bills in band 3 at 9¾ per cent; and £5m bank bills in band 4 at 9⅞ per cent.

In the afternoon the Bank of England bought another £220m bills outright, by way of £150m bank bills in band 2 at 9⅞ per cent; and £70m bank bills in band 3 at 9¾ per cent.

Bills maturing in efficial bands, repayment of late assistance and e take-up of Treasury bills drained £446m, with the unwinding of repurchase agreements absorbing £946m, and a rise in the oete circulation of £30m. These eutweighed Exchequer transactions edding £725m te liquidity.

UK clearing bank base lending rate 10 per cent since May 22

FT LONDON INTERBANK FIXING

(11.00 a.m. June 12)

Three months US dollars		Six months US dollars	
bid 7	Offer 7⅛	bid 7 1/16	Offer 7 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK RATES

(Lunchtime)

Prime rate	8½
Broker loan rate	8
Fed funds	6⅞
Fed funds at intervention	6⅞
Treasury Bills & Bonds	
One month	6.03
Two month	6.21
Three month	6.46
Six month	6.67
One year	6.85
Two year	7.28
Three year	7.59
Four year	7.73
Five year	7.82
Seven year	7.87
10 year	7.92
30 year	7.66

LONDON MONEY RATES

June 12	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	4-10⅛	10-10⅛	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Depos	10-10¼	10⅛-10¼	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos	7-10⅛	10⅛-10¼	[illegible]	[illegible]	[illegible]	[illegible]
Company Depos	8-10	10-10⅛	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent. Bank Bills (sell): one-month 9¾ per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.1142 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June 3 (inclusive) 10.176 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 10½ per cent from June 1, 1986. Bank Deposit Rates for sums at seven days' notice [illegible]. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9⅝ per cent; three-six months 9⅝ per cent; six-nine months 9⅝ per cent; nine-12 months 9⅝ per cent. Under £100,000 9⅝ per cent from June 6. Deposits held under Series 6 9⅝ per cent. Deposits withdrawn for cash 6⅞ per cent.

MONEY RATES

June 13	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.20-4.30	4.40-4.55	4.45-4.60	4.45-4.60	4.50-4.65	6.5
Paris	7⅛	7⅛-7 3/16	7⅛-7 3/16	7⅛-7⅛	7⅛-7 3/16	7¼
Zurich	⅞-1⅛	4⅜-4⅜	—	4⅝-4⅝	—	—
Amsterdam	5⅛-5⅜	5⅞-6	—	6⅞-6	—	—
Tokyo	4.40625	4.59375	—	4.65625	—	—
Milan	12-19⅝	12-19⅛	—	11⅞-19¼	—	—
Brussels	8.25	7¼-7⅝	—	11⅞-19¼	—	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN MAKITA ELECTRIC WORKS, LTD.

[illegible]

GOLD FIELDS OF SOUTH AFRICA LIMITED (Incorporated in the Republic of South Africa) (Registration No. 05/04181/06) CONVERTIBLE REDEEMABLE CUMULATIVE PREFERENCE SHARES DECLARATION OF DIVIDEND

[illegible]

Notification to Bondholders — COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN — FFr 500,000,000 7⅜% Convertible Bonds due 2000

[illegible]

CANADIAN PACIFIC LIMITED (Incorporated in Canada) DIVIDEND NOTICE

[illegible]

Montreal, June 9 1986.

Art Galleries

AGNEW GALLERY, 43, Old Bond St., W1. 01-629 6176. FROM CLAUDE TO GERICAULT—The Arts in France, 1630-1830, and OLD MASTER PRINTS. Until 25 July. Mon.-Fri. 9.30-5.30; Thurs. until 6.30.

OMELL GALLERIES, 22, Bury Street, SW1. Tel: 01-839 4274. EXHIBITION OF MARINE PAINTINGS. 2nd June-23rd June. Mon.-Fri. 10-5.30; Sats. 10-1.

LEGER, 13, Old Bond Street. ENGLISH PICTURES FOR THE COUNTRY HOUSE. Mon. to Fri. 9.30-5.30.

ANDREW WYLD GALLERY, 17, Clifford Street, London, W1. THE WATERCOLOURS OF SAMUEL JACKSON (1794-1869). A Loan Exhibition from The City of Bristol Art Gallery. 9.30-6.00 Mon.-Fri. Until 18 June. Admission Free.

THACKERAY GALLERY, 18, Thackeray St, W8. 01-937 5883. SUMMER EXHIBITION, Part 1, and ROY ABELL—Venetian Oils & Watercolours. Until 4 July.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, June 11, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of June 11 at 11.00 a.m.
3 months: 7⅛ 6 months: 7 3/16

ECU=$US.974537 SDR1=$US1.16758
Sibor as of June 11 at 11.00 a.m.
3 months: 7 3/16 6 months: 7 3/16

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
160	82	Midland Marts	155	-5	4.0	2.1	3.6	18.5
78½	61	Mitchell Cotts	65	-1	4.25	1.5	9.2	(9.2)
109	81	Monks & Crane 10p	108	+2	12.7	♦	3.6	♦
£17	210	Morgan Crucible	315	+2	8.5	♦	3.8	♦
23½	15½	Morris (W) F.A. 20p	16½	-1	—	—	—	—
139	96	Moss (Robt.) 10p	127	-1	3.3	2.7	3.7	13.7
120	65	Myson Grp 10p	120	+3	2.63	2.6	3.1	15.5
365	259	NMW Computers	515	+10	6.0	3.0	1.0	18.1
40	27	Nash Inds	36	.....	0.5	—	2.0	—
27½	15½	Neil & Spencer 10p	22	+4	—	—	—	—
38	20	Newman Inds 10p	37	-1	0.8	1.2	3.1	(36.4)
65	47	Norton	51	+1	10.95	7.0	2.6	7.3
132	96	Norank Systems 5p	126	.....	3.0	♦	3.4	♦
272	187	Norcros	267	-1	9.3	♦	3.0	♦
114	49	Nu-Swift 5p	107	-1	3.5	2.1	4.6	14.4
£303	£228	OCE 9pc Cnv 1987-92	£303	.....	Q9%	—	3.5	—
118	80	Oakwood Grp	110	.....	5.0	1.5	6.4	15.3
250	203	Office & Elect	238	.....	8.5	2.9	5.0	9.7
102	70	Oldacre 20p	88	.....	4.0	2.6	6.4	7.8
36	24	Optometrics $0.01	24	-2	Q2c	2.1	6.5	0.8
765	500	Oriflame £1	760	.....	24.5	2.1	4.5	14.8
10	7	Overstone 12½p	7	.....	03.23	1.9	12.1	4.4
		For Oralid 9pc Cnv see OCE 9pc Cnv						
142	85	PCT Grp 10p	142	.....	3.2	1.2	4.6	(34.0)
£20½	950	PLM 'B' Sk 25	£13½	.....	Q23.2%	0.3	4.8	—
184	114	PSM Intl	180	.....	5.5	2.1	4.3	13.7
255	167	Pacer Systems $0.02	205	+5	L03.04c	3.4	1.3	22.9
78	56	Pacific Sales 10p	64	+1	3.0	1.2	6.6	17.5
342	225	Park Place 10p	330	.....	16.25	1.9	2.7	27.7
425	246	Parker Knoll 'A'	413	+5	19.5	2.9	3.2	15.0
525	200	Parkfield Group 5p	435	.....	12.4	2.4	0.8	72.7
53	30	Pavion Intl	39	.....	—	—	—	♦
£130	692	Do 11pc CvLn '94-02	£202	.....	Q11%	—	(11.1)	—
524	399	Pearson	512	+10	10.0	2.8	1.0	17.1
26	15	Peek Holdings 7p	25	.....	—	—	—	—
130	88	Peerless	123	-3	6.3	—	7.1	—
825	283	Pentland 10p	825	+55	1.5	22.4	0.3	23.4
£14	775	Photo-Me	£10	.....	5.08	8.3	0.7	20.A
475	315	Pilkington Br. £1	403	-12	13.5	♦	4.7	♦
£308	£293	Pitney-Bowes Cnv. Ln	£308	.....	Q5½%	—	1.4	—

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1986 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
115	58	Leisuretime Int 10p	103	.....	12.3	♦	3.2	[illegible]
117	100	Lowmar	107	.....	2.69	3.0	3.5	[illegible]
220	145	Media Tech Int 20p	145	.....	2.58	5.4	2.5	[illegible]
175	140	Medminster 10p	140	.....	5.35	2.7	5.4	[illegible]
220	130	Miles World 10p	220	+5	3.2	3.5	3.5	[illegible]
90	62	Nationwide Leisure	87	+1	3.75	♦	6.1	[illegible]
17	10½	Nimslo Int 20c	16½	.....	—	—	—	[illegible]
34½	23	Owners Abroad 5p	31½	+½	1.5	♦	6.7	[illegible]
90	46	Photax (Lon.)	70	.....	—	—	—	[illegible]
34	20½	P'dilly Radio NV 5p	29	-1	2.0	1.2	10.0	[illegible]
80	37	Pineapple Dnc St 10p	70	-2	—	—	—	[illegible]
391	280	Pleasurama 5p	287	+4	7.5	3.2	3.7	[illegible]
170	136	Do. 7pcCvCnvRedPf	137	.....	7%	—	7.2	[illegible]
		For Pres Entertainment see Hotels						
43	10	Radio City 'A' NV	30	.....	—	—	—	[illegible]
48	33	Radio Clyde N/V	40	-2	3.25	0.9	11.4	[illegible]
375	322	Really Useful Grp 5p	365	.....	11.25	2.2	4.3	[illegible]
64	44	Riley Leisure 10p	44	.....	—	—	—	[illegible]
230	165	Saga Hols. 20p	167	-1	4.6	2.6	3.9	[illegible]
355	255	Samuelson Grp 20p	285	.....	2.4	6.0	1.2	[illegible]
123	73	Sangers Photo 10p	102	-6	2.2	♦	3.1	[illegible]
178	142	Scavro 50p	150	-3	4.0	3.3	3.8	[illegible]
345	188	Scott. TV 'A' 10p	345	.....	10.5	3.0	4.3	[illegible]
294	114	SeaCo Inc $0.125	197	+34	—	—	—	[illegible]
26	7	SelecTV 10p	18	.....	—	—	—	[illegible]
37	20	Spectrum 5p	21	.....	12.0	4.8	[illegible]	[illegible]
43	31	TSW 5p	39	.....	1.7	2.4	6.2	[illegible]
235	150	TVS N/Vtg 10p	230	-2	8.0	2.5	4.9	[illegible]
188	125	Television Svcs 50p	125	.....	2.0	1.6	2.9	[illegible]
72	50	Tottenham Hotspur	71	.....	4.0	—	[illegible]	[illegible]
96	66	Trillion 10p	82	.....	1.1	3.5	1.9	[illegible]
250	140	Tyne Tees TV 'A' £1	245	.....	10.5	♦	6.0	[illegible]
130	104	Ulster TV N/V 'A'	130	.....	5.25	2.6	5.7	[illegible]
100	63	Vireoplan 5p	85	.....	1.26	—	2.1	[illegible]
198	118	WSL 5p	192	-3	—	—	—	[illegible]
28	17½	Webb (Jos.) 5p	21	-2	0.5	8.7	3.4	[illegible]
27½	16½	Williams (Rex) 5p	20½	.....	0.91	1.0	6.3	[illegible]
186	125½	Zetters 5p	166	.....	4.0	3.6	3.4	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1986 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's
42	26	Anglo Utd Dev	30	.....	d1.05	♦	5.0
80	45	Colby Res Corp	55	.....	—	—	—
300	160	Cons. Murch. 10c	160	.....	Q30c	3.9	‡
34	28	Emeer Int. Ir10p	33	.....	—	—	—
101	70	Greenwich Res	97	.....	—	—	—
155	93	Hampton Areas 10p	153	+2	1.0	—	0.9
250	165	Highwood Res	235	.....	—	—	—
£19¾	£13½	Homestake Mining £1	£15⅛	.....	Q20c	—	0.9
310	175	McFinley Red Lake	185	.....	—	—	—
285	195	Minto Explorations	235	+25	—	—	—
51	33	New Sabina Res C$1	33	-2	—	—	—
268	207	Nordgate C$1	207	.....	—	—	—
790	513	RTZ	625	-13	22.0	2.8	5.0
£164	£115	Do. 9¾pcLn '95-2000	£137	-2	Q9½%	15.5	7.2
950	800	Tara Expln $1	875	.....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- 7 Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	120		Fin. 13% 97/02	£121¼	-½
Craig & Rose £1	£13		Arnotts	325	.....
Finlay Pkg. 5p	43	.....	CPI Hldgs	58	-2
Holt (Jos) 25p	£10xd		Carroll Inds	155	.....
IoM Stm. £1	87	.....	Dublin Gas	53	.....
			Hall (R. & H.)	77	.....
IRISH			Heiton Hldgs	30	.....
Fund 11¼% 1988	£103½		Irish Ropes	110	.....
Nat. 9¾% 84/89	£101		Unidare	190	.....

"Recent Issues" and "Rights" Page 43
(International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Recovery loses momentum and markets close little changed

Leading shares pulled out of the three-day slide early yesterday but the recovery movement was far from convincing. A more confident Wall Street market on Wednesday helped restore stability and for the first hour or so some equity sectors were reasonably busy. Professional covering of short positions—the current trading Account ends today—generated demand and "new-time" inquiry was noted for the period starting on Monday.

The FT indices weer around 10 points up until just before noon but sentiment was clouded by the State of Emergency declaration in South Africa. Gold mining issues and UK industrial groups with interests in the area reacted nervously and buyers generally retired to the sidelines. Shortly afterwards speculation revived of impending fund-raising operations. **P. and O.** became unsettled by persistent talk that underwriters of the Stock Conversion offer could attempt to place unwanted stock today. It was also said that **International Signal**, which postponed announcement of its preliminary results until today, might call for sizeable funds via a rights issue.

A slight late easing in money market rates for credit failed to impress either equity or Gilt-edged investors, most preferring to await more positive signals regarding base lending rate trends; recent optimism about a small cut this week disappeared with Tuesday's poor money supply figures. The dollar weakened after news of an unexpected fall, although small, in US retail sales, but sterling made little fresh headway.

Throughout the afternoon the gains in blue chip issues were pared and this was reflected in the movements of the FT indices. The FT Ordinary share slipped back from a day's high of 1,312.2 to close a net 3 points better at 1,304.1, while the FT-SE 100 share ended a mere 0.4 up at 1,571.8, after 1,581.7.

Government securities were held back by the long tap, Treasury 8 per cent 2009, which currently stands at a discount of 7 points on the respective issue price. The early tone was more composed but small price gains were surrendered and prices fluctuated narrowly before hardening again late. The authorities were believed to have rejected a bid of £43 for supplies of the tap in the after-hours' trade. Awaiting today's RPI figure, index-linked Gilts drifted back to settle ⅞ lower on balance.

Clearers below best

Clearing banks staged a technical rally helped by reports that the Mexican debt situation will soon be resolved via an agreement with the IMF before the end of the month. However, best levels were not held as news of the State of Emergency in South Africa induced scattered small selling during the afternoon session. **Barclays** closed 7 better at 482p, after 488p, while **NatWest** added 8 at 462p, after 468p and the new nil-paid shares improved 7 at 260p premium.

Brodero Properties made a bright market debut, but settled well below the opening price of 175p as profit-taking developed; the closing price was 160p, some 15 above the offer for sale price of 145p. Electronic component manufacturer **Denistron** opened at 59p and closed at 63p compared with the placing price of 58p, while USM newcomer **Accord Publications** attained 136p against a placing price of 125p.

Leading Buildings made a rather drab showing. **Blue Circle** came on offer and dipped to 618p prior to closing a net 13 down at 622p, while **Tarmac** gave up 12 to 444p. **RMC** slipped 4 to 646p and **BPB Industries** softened 3 to 472p. On the other hand, **Barratt Developments** revived with a gain of 6 at 140p and **George Wimpey** firmed 4 to 200p. Elsewhere, **Raine Industries** attracted support pending the outcome of the long-running merger talks and gained 5 to 60p, while **Helical Bar** picked up strongly on "new time" buying and closed 9 higher at the day's best of 202p. **Federated Housing** were also the subject of buying for the new Account which starts on Monday and firmed 4 afresh to 164p, while **McLaughlin and Harvey** added 3 to 133p on news that the Courtaulds Pension Fund now holds some 16.4 per cent of the equity. **Brownlee** improved 3 to 69p following the annual results and **Countryside** hardened the same amount to 420p in reply to Press comment; the latter's interim results are due next Tuesday. Profit-taking left **Derek Crouch** 6 off at 142p.

ICI edged up to 925p initially, but drifted back in the absence of further buying interest to close unchanged at 919p. Among other Chemicals, **British Benzol** softened a couple of pence to 85p despite a favourable Press mention, but **Wolstenholme Rink** continued to attract buyers and rose 5 more to 208p.

Woolworth down again

Woolworth, still reflecting acute disappointment with the rejected, increased and final bid terms from **Dixons**, encountered end-Account selling and lost 35 more for a two-day decline of 65 at 760p; **Dixons** gave up 4 more at 328p. Elsewhere in Stores, **Ratners** advanced 8 to 148p, after 151p, on speculative support and **H. Samuel "A"** improved 5 at 138p in sympathy. **A. and J. Gelfer** rose 4 to 110p in the wake of board appointments.

Secondary issues provided the main source of interest in the Electrical sector. **Sherrock** featured a rise of 18 at 130p on the recommended bid from BET. **Thermal Scientific** responded to the good annual results and proposed one-for-one scrip issue with a gain of 22 at 490p, while **DDT**, still benefiting from the preliminary figures, rose 13 more to 176p. Speculative demand left **VG Instruments** 8 to the good at 465p. **Burgess Products** advanced 19 to 255p on the announcement that its bid for **Coln Industries**, 14 higher at 127p, had been declared unconditional. Reports of booming home computer sales stimulated fresh interest in **Amstrad** which advanced 11 to 580p.

Encouraged by the interim statement, **Westland** encountered sustained support and put on 16 to 86p. Elsewhere in the Engineering sector, **Staveley** advanced 20 to 523p on the preliminary figures, but lower annual earnings left **600 Group** 5 down at 123p.

Leading Foods gave a steadier performance in the wake of the previous day's shake-out, but initial gains of a few pence were often pared and sometimes replaced by net falls on the day as interest faded. **Cadbury Schweppes** settled a penny cheaper on balance at 165p and **Ranks Hovis McDougall** finished 3 off at 212p. **Tate and Lyle**, however, retained a modest gain at 593p and **Unigate** rallied 3 to 265p, after 267p; the latter's annual results are due on Monday. **Hazlewoods**, with preliminary figures scheduled for the same day, rose 32 to 860p; the company announced the acquisition of three snack food companies for £4.4m yesterday. **Slaters** touched 203p immediately following the annual results, but eased back on profit-taking to close only a penny dearer on balance at 198p. **J. Perkins Meats** shed 4 to 28p following poor half-year figures.

Hotels displayed a bright feature in **Trusthouse Forte** which gained 7 to 162p on persistent small buying. **Ladbroke**, firmer at first behind the chairman's confident AGM statement on Wednesday, slipped back to close a couple of pence easier at 347p.

Glaxo good

Glaxo, reflecting news that the company had won official US approval for wider use of its Zantac drug and a broker's upgraded profits forecast, attracted American and domestic demand and closed ⅜ higher at £10⅞. Among other leading miscellaneous industrials, **Beecham** moved up to 405p on the preliminary figures and result of the strategic review, but subsequently drifted back to close unaltered on the day at 393p. In contrast, South African developments unsettled **Reckitt and Colman**, down 21 at 804p, and **Pilkington Brothers**, 12 lower at 413p. Elsewhere, **Bodycote** advanced 28 to 288p on news of the proposed public offer of a limited number of shares in its Dutch subsidiary, JLM Echo; the proceeds of the sale will provide funds for use elsewhere in the group. **Amber Industrial** featured a jump of 50 to 285p on the good annual results, while **Pentland**, reflecting reports of several favourable US circulars, moved up 55 to 825p. **Sterling Industries** responded to the preliminary figures with a gain of 8 at 110p, but **British Aerospace**, firm initially, fell back to close 12 cheaper on balance at 503p following the decision to continue the strike at the company's Warton factory which has stopped production of the Tornado fighter bomber. Speculative demand left **Cosalt** 10 higher at 104p, while late support brought a revival in **Metal Closures**, 5 dearer at 141p.

Western Motor, a strong market of late in reply to the profits recovery, jumped 12 to 112p following an investment recommendation. **Appleyard** reflected revived takeover hopes with a gain of 10 at 156, while **Dowty** improved 8 afresh at 223p following speculative support. **Caffyns** rose 5 to 243p following the pleasing annual results and **Lookers** firmed 5 to 135p ahead of Wednesday's interim figures. **H. and J. Quick** put on 5 at 73p.

Dealings resumed yesterday in **Wight Collins Rutherford Scott** following completion of the acquisition of HBM-Creamer for £33m and the close was 20 higher at 488p. Elsewhere in Paper/Printings, **Osborne and Little** firmed 13 to 233p on further consideration of the recent results, but **Ferry Pickering** reflected selling in a restricted market and fell 10 to 178p.

Secondary issues provided the noteworthy movements in Properties. Persistent speculative demand boosted **Egerton Trust** 13 to 120p, while buying ahead of next Wednesday's annual results lifted **Mountview Estates** 20 to 700p. On the other hand, favourable comment on the annual results failed to sustain **Regalian** which slipped 5 to 580p, while profit-taking clipped 3 from **Property Holding and Investment** at 128p. Elsewhere, **Marler Estates** continued to attract support and rose 15 more to 425p.

Courtaulds came on offer and dropped 8 to 270p in Textiles, but **Harold Ingram** advanced 25 to 165p on revived speculative buying in a thin market.

Investment Trusts were featured by **Wemyss** which rose 20 to 810p on news of a bid approach. Among Financials, **James Ferguson** reflecting expansion hopes, were outstanding for a jump of 30 to 80p, after 82p, following speculative buying in a market none too well supplied with stock. **Antofagasta** rose 50 to 675p.

Premier firm

Modest initial gains in the leading Oils were gradually surrendered and **BP** settled a net 5 easier at 563p. **Britoil** fell a similar amount to 165p, as did **Shell**, 773p. The recent spate of deals involving the second-line oils continued with **Premier** linking up with **Burmah**, in a move which will leave Burmah with a 25 per cent stake in Premier. The latter rose 3 to 27p following the news while **Burmah** put on 4 to 357p. **Carless Capel** added 5 to 65p on further consideration of the Winterbottom Energy Trust. **New London Oil**, where clients of Charterhouse Investment Management are to inject around £830,000 into New London in exchange for 3.2m New London shares, put on 2 to 27p. Elsewhere, Irish issues provided a handful of firm features, most notably **Conroy Petroleum and Natural Resources**, 7 higher at 85p amid talk of an imminent announcement, and **Bula**, which settled a penny firmer at 4p, after 5p, following comment in an Irish newspaper.

The declaration of a nationwide State of Emergency in South Africa ahead of Monday's 10th anniversary of the 1976 Soweto uprisings brought about another sharp decline throughout South African sectors of mining markets. Selling pressure was also triggered by fears that the report of the Commonwealth's Eminent Persons Group will recommend the imposition of harder economic sanctions against South Africa. However, it was the prospect of a substantial increase in the civil unrest currently sweeping South Africa that prompted the latest weakness in the Rand and gold and related issues. The Financial Rand dropped to a record low of 20 cents during the morning before staging a rally to around 21.5 cents. Golds followed suit with substantial selling of shares from London and many European centres reported by dealers. An attempted rally after midday soon faltered and prices remained under pressure and closed at or around the day's lowest levels.

The Gold Mines index registered its sixth consecutive decline, closing 7.2 off at 192.3, the lowest since early July 1982. Another resolute performance by bullion, which held around $347.75, had little impact on share prices.

Selling of Golds spilled over into South African Financials and Industrials. In the former sector, "Johnnies" slumped £6 to £46 in a thin market, while **Anglo American Corporation** lost 20 to 640p, after a low of 630p, and "Amcoal" 75 to 500p. **De Beers** gave up 3 to 400p and **Gencor** 25 to 625p. In a weak industrials group, **Barlow Rand** dipped 13 to 240p, while falls of 10 were common to **South African Breweries**, 130p and **Sasol**, 95p.

Platinums, on the other hand, drew support as platinum metal prices made further progress in response to worries over possible disruptions to South African production. **Impala** moved ahead 30 to 540p and **Rustenburg** jumped 40 to 560p.

The latest news from South Africa upset **Consolidated Gold Fields** which fell away to a year's low of 418p before steadying to end the session a net 15 off at 425p, this despite confirmation that the group is to develop a new platinum mine in the Western Transvaal at a cost of R559m. **RTZ**, which has limited exposure to South Africa through its Palabora copper mine and the Rossing uranium mine in Namibia, nevertheless suffered along with other mining counters and retreated 13 to 625p.

A poor performance by Australians, following the package of austerity measures announced overnight by Robert Hawke, the Australian Prime Minister, completed a miserable session in the mining sector.

Quieter conditions prevailed in Traded Options. Total contracts amounted to 11,439, comprising 6,813 calls and 4,626 puts.

FINANCIAL TIMES STOCK INDICES

	June 12	June 11	June 10	June 9	June 6	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	80.63	80.68	81.41	82.22	81.92	81.45	94.51 (18/4)	80.39 (30/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.64	96.57	97.12	97.08	97.02	86.11	97.51 (22/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1304.1	1301.2	1314.4	1329.5	1336.9	977.0	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	192.3	199.5	208.0	208.7	213.5	425.6	357.0 (27/1)	192.3 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.19	4.21	4.18	4.13	4.15	4.72				
Earnings Yld. % (full)	10.13	10.17	10.20	9.99	10.26	11.80				
P/E Ratio (net) (*)	12.01	11.97	12.05	12.17	11.93	10.35				
Total Bargains (Est.)	24,999	24,665	24,730	24,566	24,448	21,181				
Equity Turnover £m	—	526.61	466.28	410.02	482.72	394.62				
Equity Bargains	—	22,639	23,629	23,907	21,398	—				
Shares Traded (ml)	—	223.8	226.8	196.9	239.8	197.5				

S.E. ACTIVITY

Indices	June 11	June 10
Gilt Edged Bargains	165.9	128.8
Equity Bargains	156.7	153.1
Equity Value	1,084.4	942.4
5-Day Average		
Gilt Edged Bargains	134.8	129.1
Equity Bargains	146.6	144.4
Equity Value	959.9	940.0

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1305.3	1311.3	1311.7	1310.1	1308.7	1308.4	1307.7	1306.6

Day's High 1312.2. Day's Low 1304.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.57.

LONDON REPORT AND LATEST SHARE INDEX. TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Thursday June 12 1986

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 25,218

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 19	June 6	Aug 28	Sept 8
June 9	June 20	Sept 11	Sept 22
June 23	July 4	Sept 25	Oct 6

For rate indications see end of Unit Trust Service

Calls were arranged in Hampton Trust, Telephone Rentals, Allebone, Dixons, North Kalgurli, Berkeley and Hay Hill, Ecobric, Cadbury Schweppes, ASDA-MFI, Neill and Spencer, Hawley Group, Owners Abroad, Ryan International, Fairline Boats and Oliver Resources. A put was arranged in Polly Peck, while a double was transacted in Underwoods.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List

[illegible]

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

NEW HIGHS AND LOWS FOR 1986

[illegible]

BASE LENDING RATES

[illegible]

LONDON TRADED OPTIONS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

June 12	Price Sch.	+ or −
Credit'nst'lt pp	9,960	......
Goesser	3,450	+85
Interunfall	14,050	......
Jungbunzlauer	18,900	−200
Laenderbank	2,230	−20
Perlmooser	650	+5
Steyr Daimler	170	−1
Veitscher Mag	11,500	+150

BELGIUM/LUEXMBOURG

June 12	Price Frs.	+ or −
B.B.L.	6,040	......
Banq. Gen. Lux	15,600	......
Banq. Int.A.Lux	16,360	+100
Bekaert	10,725	......
Ciment OBR	6,620	−80
Cockerill	145	−2
Delhaize	13,000	......
EBES	4,260	−40
Electrobel	14,875	−25
Fabrique Nat	2,055	−49
GB Inno BM	6,870	−5
GBL (Brux)	3,005	−10
Generale Bank	5,810	......
Gevaert	6,920	−110
Hoboken	7,050	−30
Intercom	5,350	−25
Kredietbank	15,600	+95
Pan Hldgs	11,650	......
Petrofina	8,030	+30
Royale Belge	24,000	......
Soc. Gen. Belge	2,830	+5
Sofina	0,300	+10
Solvay	7,710	−140
Stanwick Intl	460	......
Tractionel	5,260	−250
UCB	7,500	......
Wagons Lits	5,210	+60

DENMARK [illegible]

FRANCE [illegible]

GERMANY

June 12	Price Dm.	+ or −
AEG	330	+4.4
Allianz Vers	2,466	+63
BASF	285	+2
Bayer	304	+3.5
Bayer-Hypo	592	+44
Bayer-Verein	580	+46
BHF-Bank	497	+12
BMW	572	+7
Brown Boveri	301	−10
Commerzbank	322	+4
Cont'l. Gummi	277	+14
Daimler-Benz	1,380	+59
Degussa	445.5	−1.5
D'sche Babcock	210	+10
Deutsche Bank	603	+9.5
Dresdner Bank	497.5	+4
Feld-Muehle Nbl.	306	+5
GHH	238	+9
Henkel	386	−3.7
Hochtief	950	+10
Hoechst	273	+1
Hoesch Werke	178.8	+2.5
Holzmann (P)	548	+3
Horten	194	+5.5
Hussel	489	+3
Karstadt	342	+21
Kaufhof	475	+25
KHD	242	+4.5
Kloeckner	90	+0.5
Linde	710	+5
Lufthansa	200	+5
MAN	125	......
Mannesmann	214	+0.5
Mercedes Hld	1,251.5	+21.5
Metallgesell	319	+1
Muench Rueck	9,850	+30
Nixdorf	606	+13
Porsche	1,014	+16
Preussag	169	+4
RheinWest Elect	225.5	+0.5
Rosenthal	580.2	......
Schering	589	+7
Siemens	658	+9.5

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

JAPAN [illegible]

JAPAN (continued) [illegible]

SINGAPORE [illegible]

SOUTH AFRICA [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Prices at 2.30pm
June 12

[illegible]

MONTREAL
Closing prices June 11

[illegible]

F—No voting rights or restricted voting rights

Indices

NEW YORK—DOW JONES [illegible]

N.Y.S.E. ALL COMMON [illegible]

NYSE-Consolidated 1500 Actives [illegible]

Advances 761 Declines 716

TORONTO	June 12	June 11	June 10	June 9	1986 High	1986 Low
Metals & Minls	2,182.5*	2,178.5	2,173.3	2,204.2	2,442.85 (21/3/86)	2,025.3 (21/5/86)
Composite	3,072.8*	3,068.7	3,050.2	3,054.8	3,129.11 (18/4/86)	2,754.5 (17/2)
MONTREAL Portfolio	1,558.88*	1,558.89	1,547.28	1,552.63	1,623.33 (18/4/86)	1,386.6 (22/1)

* Indicates pre-close figure

[illegible]

** Saturday June 7: Japan Nikkei 16,889.01, TSE 1,317.78.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Continued from Page 43

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Bodycote Intl	288	+28
Burgess Prod	255	+19
Caffyns	243	+8
DDT	178	+13
Egerton Trust	120	+13
Ferguson (J)	80	+30
Glaxo	£10¾	+⅜
Helical Bar	202	+9
Mountview Est	700	+20
Pentland Inds	825	+55
Raine Inds	60	+5
Ratners	148	+8
Shorrock	130	+18
Staveley Inds	523	+20
Sterling Inds	110	+8
Thermal Sc	490	+22
Trusthouse F	162	+7
Wemyss Inv	616	+20
Western Motor	112	+12
Westland	86	+16

FALLS		
Tr 2½% IL '20	£98½	−⅜
Blue Circle	622	−13
British Aero	503	−12
Con Gold Fields	425	−15
Courtaulds	270	−8
Jo'burg Cons	£46	−8
Pilkington Br	413	−12
Reckitt & C	804	−21
Tarmac	444	−12
Woolworth	760	−35

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, June 12

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¼	12	AAR	s	.44	1.8	23	90	24⅝	24¼	24⅜	+ ⅛
30	21½	AOT		.92	3.3		91	27⅞	27⅝	27⅞	+ ½
28⅞	11½	AFG	s			18	618	28½	28⅛	28¼	
25⅝	13⅛	AGS				15	5	20¾	20¼	20¼	− ¼
60⅝	37½	AMR				11	4797	52⅞	51½	51⅞	
25¾	18⅝	AMR	pf2.18		8.8		1	24¾	24¾	24¾	
27½	23¼	ANR	pf2.67		10		2	28	20	20	
12½	7⅝	APL				6	32	11	11	11	− ⅛
16¾	11⅛	ARX		.711	5.3	12	19	13½	13⅜	13⅜	− ¼
51⅜	32¼	ASA		2a	5.1		233	35⅝	34⅞	34⅞	− ⅞
16⅝	10½	AVX			2.3		89	13⅞	13¼	13¼	− ⅛
32	22⅝	AZP		2.72	10	7	921	27	26¾	26⅞	+ ⅛
47½	36⅜	AbtLb	s			24	2026	u48¾	47½	48⅝	+ 1⅜
32	19⅝	AccoWd	.50		1.7	20	101	29½	29½	29½	
24¾	10	AcmaC	.40		3.1		153	13	12⅝	13	+ ¼
20¾	16⅞	AdaEx	1.90e		9.8		147	20	19¾	19⅞	+ ⅛
31¾	15⅞	AdmMl	.40		1.2	15	57	u32½	31¾	32½	+ 1
20⅜	10¼	AdvSys	.83t		4.1	16	65	17¾	17⅝	17⅝	− ⅛
32⅞	22⅛	AMD					1803	24⅞	23⅞	24¼	− ¾
12⅝	8¼	Adobe	n				45	6½	6⅜	6¾	+ ⅛
18⅜	14⅜	Adob	pf1.84		11		20	18½	16½	16½	
20¼	15¼	Adob	pf2.40		13		47	19	18⅞	19	
16⅝	7½	Advest	.12a		.7	13	143	17	16⅝	16⅞	+ ½
58¼	42¼	AetnLf	2.64		4.6	10	3121	57⅜	56½	57⅛	+ ⅛
33	9⅝	Ahmns	s .46		2.a	8	3510	22⅝	22	22⅛	+ ⅝
5¾	2½	Aileen				105	205	5⅝	5⅛	5¼	+ ⅛
41⅝	25¾	AirPrd	s .80		2.1	15	2099	39¼	38⅝	38⅞	− ⅛
27¾	18¼	AirbFrt	.60		3.0	17	162	20⅛	19¾	19⅞	− ⅛
2⅛	⅜	AlMoan	.50e				120	½	15-32	15-32	− 1-32
29¼	25⅛	AlaP	pf2.27e		8.8		40	26½	26½	26½	+ ⅞
10¼	7⅝	AlaP	dpf.87		9.8		62	9¼	8⅞	8⅞	− ⅜
103½	15¼	AlaP	pf 9		9.4		z430	95½	95¼	95¼	− ¼
107	86	AlaP	pf 11		11		z30	103½	103½	103½	− ½
90¾	68½	AlaP	pf8.28		9.5		z100	86¾	86¾	86¾	+ ¼
26⅝	15¼	AlskAir	.16		.9	11	1235	17⅝	16½	17⅛	− ⅛
25	8	Albrto	s .21		.9	28	56	22¼	22⅛	22⅛	
43	26⅞	Albtsns	.84		2.0	15	119	41½	41⅛	41¼	− ¼
34⅝	22¾	Alcan	.80		2.6		1218	31⅜	30¾	31¼	+ ¼
46¾	32	AlcoStd	.24		3.1	19	445	40¾	40⅜	40½	+ ¼
40¼	26	AlexAlx	1		2.1		318	37⅛	36½	36½	− ⅝
47½	22⅝	Alexdr				77	6	40⅛	40⅛	40⅛	− ⅛
101	75½	AllgCp	1.54t		1.6	21	37	95⅛	94⅝	95⅛	+ ⅛
28½	25⅝	AlgCo	pf2.86		10		35	27¼	27½	27¾	+ ¼
28¾	16½	Algint	.35j		1.7		1396	21	20⅝	20⅝	
20¾	15⅞	Algin	pf2.19		14		83	17½	18	18	− 1½
41¾	28⅛	AllgPw	2.80		8.9	10	900	40⅞	40½	40¾	
27½	14½	AllenGs	.56		2.5	14	80	22⅛	21⅞	22	
28¾	21¼	Allen	pf1.75		6.3		5	28	28	28	+ ¼
43	16½	AlldPd				11	70	36¼	35½	35½	− ⅞
49½	38⅛	AldSgnn	1.80b		4.1		3067	44⅜	43⅞	44	− ¼
65	55½	AldS	pfC6.74		11.		53	60⅛	59¾	59⅞	− ¼
114⅝	102¾	AldS	pfD 12		11		4	105¼	105¼	105¼	+ ¼
46⅞	25⅛	AldStr	s1.16		2.1	12	1081	43¾	43¼	43⅜	− ½
10⅛	4¾	AlldSup					294	9⅛	8⅞	9	
6¾	3⅛	AllisCh					68	5	4⅞	4⅞	
40¾	36¾	AlisC	pf				5	33¾	33¾	33¾	+ ¼
36⅞	26½	ALLTL	1.96		5.5	11	145	35⅛	35¾	35⅞	− ⅛
46⅝	31½	Alcoa	1.20		3.0		898	40½	40	40⅜	
[illegible]											

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	45¾	Xerox	3	3.3	13	2780	57⅞	56⅞	56¾	−½
58¼	53¼	Xerox pf5.43		9.6		4	55⅝	55⅝	55⅝	−⅛
28¾	20⅝	XTRA	.64	2.6		290	25⅛	24¾	25	+⅛
17¼	13½	Yorkin n				409	16⅝	16¼	16⅝	+¼
38	26¼	ZaleCp 1.32		5	6	36	36¾	36½	36½	−⅛
11⅛	3½	Zapata .03j				976	4¼	4⅛	4¼	
82	47¾	Zayre	.64	.8	25	371	81	79¾	80⅞	+1½
41	23⅞	Zayre wi				53	40¾	40¼	40¾	+½
29⅞	18¼	ZenithE				230	25⅝	25⅛	25⅝	+¼
36⅝	17⅝	ZenLbs.10e		.3	21	458	32	31½	31⅞	−⅛
18¼	8⅝	ZenLb wn				43	16	16	16	−⅛
22⅜	14	Zero	e .29	1.6	16	151	18½	18⅛	18¼	+⅜
45¾	32¼	Zurnin 1.32		3.5	14	33	38½	38⅛	38⅛	−½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 12

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Retail sales fall greeted by caution

A DECLINE of 0.1 per cent in US retail sales in May, while not quite as large as the market bad expected, gave federal bond prices a sbot in the arm yesterday, *writes Terry Byland in New York.*

But this fresh indication of sluggisbness in the economy sent blue chips downwards in thin trading.

However, Wall Street remained cautious. The retail sales oumbers were only the first of several sets of important federal economic data now pending. Statistics on money supply growth and producer prices will belp round out Wall Street's picture of the economy.

Also encouraging a cautious stance by the big institutions was the Mexican debt crisis, with its serious implications for the US banking structure.

Bond prices moved up three quarters of a point after a brief pause while traders absorbed the retail sales figures. The market bad been predicting a dip of 1.1 per cent in retail sales, bowever, and the early gains in bonds were trimmed later as profit-takers moved in.

Leading stocks opened sbarply down and found difficulty in sustaining a rally, despite the firmness of the bond market. Equity trading was subdued, and the broader market held steady, with the Nasdaq index edging higher.

At 3pm the Dow Jones industrial average was down 4.84 at 1,841.23.

But the Dow transportation average continued to edge higber from its resistance level, helped by a steadier tone in airlines. United, at $54¼, recouped $⅝ of the sharp fall of the previous session. Losses in the other domestic carriers were minor – American sbed $¼ to $51⅛ and Delta $¼ to $41⅞.

TWA eased $⅜ to $14⅝ on the surprise departure of the president after only eight months in office.

Transportations were buoyed by further support for rail stocks. Union Pacific edged up $½ to $57 as the market absorbed the details of the planned restructuring.

IBM shaded $⅜ to $146¾, with turnover well down as the big investors stayed resolutely on the market sidelines. Honeywell gave back $¾ of this week's gain to stand at $79¼ also in ligbt trading.

General Motors, $⅞ off at $77½. Du Pont, down $⅞ at $84¾, and Minnesota Mining, $¼ off at $106½, all belped to drag down the major stock market indices. Ford, almost alone among manufacturing blue chips, edged higber, putting on $⅛ to $52⅜.

The renewed softness in the dollar brought buyers in for some pharmaceutical issues, notably Pfizer, up $⅞ at $65⅝, Bristol-Myers, $⅞ better at $80¼, and Abbott Laboratories, $1 higher at $48¼.

A weak feature among pbarmaceuticals was Merck, the sector leader, whicb dipped $1 to $95 after confirming reports of an accident at a plant in Puerto Rico.

Oils moved narrowly as the market tried to assess the outlook for crude prices. Pbillips Petroleum eased $⅛ to $9⅞, in beavy trading, but Exxon added $⅞ to $59⅝.

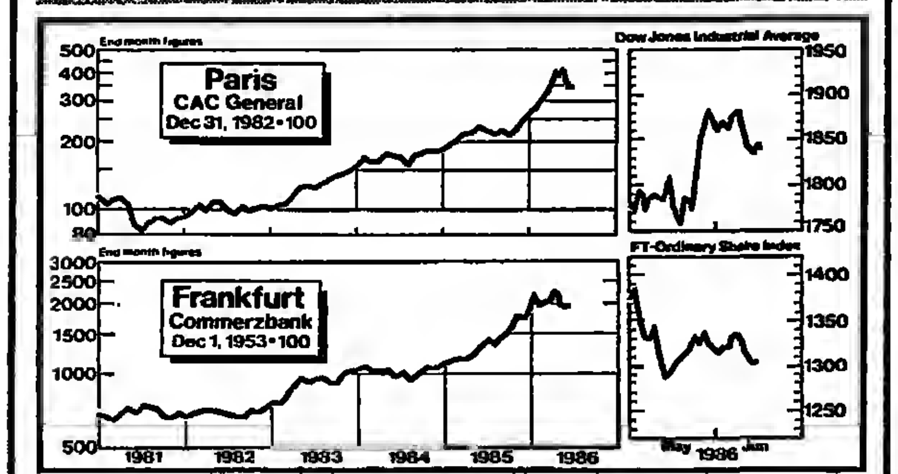
The fall in US retail sales held store issues in cbeck K mart stood out against the trend with a gain of $⅞ at $52, on trading levels exceeding 1m sbares by mid-session. But Sears, $¼ off at $46½, and J.C. Penney, down $⅝ at $77½, found little support.

Heartened by Mr Paul Volcker's visit to Mexico, which indicated official determination to solve the impending crisis over the country's interest payments to the US banks, belped financial issues.

Manufacturers Hanover, widely exposed in Mexico, added $¼ to $50⅞. Others to firm were Citicorp, $⅛ better at $45⅛, and Bankers Trust, up $¼ at $47.

In the credit market, short-term rates turned downwards as Senate majority leader Mr Robert Dole put the case for a cut in federal discount rate. Also helpful were comments on Mexican debt and money supply from fed governor Mr Manuel Johnson at Senate confirmation hearings. However, early gains in bonds melted away ahead of tha announcement of the latest money supply aggregates.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 12	Previous	Year ago
NEW YORK			
DJ Industrials	1,841.23*	1,846.07	1,306.34
DJ Transport	780.00*	774.63	642.21
DJ Utilities	185.06*	183.78	163.78
S&P Composite	241.48*	241.13	187.61
LONDON			
FT Ord	1,304.1	1,301.1	977.0
FT-SE 100	1,571.8	1,571.4	1,291.4
FT-A All-share	778.5	777.8	632.00
FT-A 500	860.15	859.06	691.45
FT Gold mines	192.3	199.5	429.6
FT-A Long gilt	9.44	8.42	10.64
TOKYO			
Nikkei	17,131.22	17,096.40	12,748.00
Tokyo SE	1,323.10	1,318.95	1,009.42
AUSTRALIA			
All Ord.	1,218.6	1,225.4	854.6
Metals & Mins.	538.9	541.1	509.3
AUSTRIA			
Credit Aktien	118.62	119.17	102.75
BELGIUM			
Belgian SE	3,504.32	3,523.56	2,336.45
CANADA			
Toronto			
Metals & Minls	2,182.5*	2,178.5	1,906.0
Composite	3,072.8*	3,069.7	2,709.1
Montreal			
Portfolio	1,558.98*	1,558.6	132.78
DENMARK			
SE	224.00	226.95	192.54
FRANCE			
CAC Gen	345.6	346.7	229.4
Ind. Tendance	130.3	131.2	83.4
WEST GERMANY			
FAZ-Aktien	653.56	648.02	470.26
Commerzbank	1,977.2	1,952.1	1,388.3
HONG KONG			
Hang Seng	1,752.79	1,751.36	1,502.94
ITALY			
Banca Comm.	694.23	719.97	323.91
NETHERLANDS			
ANP-CBS Gen	287.2	286.1	211.8
ANP-CBS Ind	281.4	280.9	176.9
NORWAY			
Oslo SE	348.86	348.45	338.51
SINGAPORE			
Straits Times	703.56	709.61	791.32
SOUTH AFRICA			
JSE Golds	–	1,296.5	966.3
JSE Industrials	–	1,158.8	962.0
SPAIN			
Madrid SE	174.66	176.18	80.74
SWEDEN			
J & P	2,404.64	2,418.36	1,345.46
SWITZERLAND			
Swiss Bank Ind	558.3	555.5	437.8
WORLD	June 9	Prev	Year ago
MS Capital Int'l	318.3	315.7	212.2

COMMODITIES

(London)	June 12	Prev
Silver (spot fixing)	355.95p	348.45p
Copper (cash)	£948.50	£944.25
Coffee (July)	£1,778.00	£1,818.50
Oil (Brent blend)	$12.05	$12.05

GOLD (per ounce)

	June 12	Prev
London	$347.25	$347.50
Zürich	$348.50	$347.70
Paris (fixing)	$349.01	$346.72
Luxembourg	$347.95	$347.65
New York (Aug)	$349.80	$351.70

CURRENCIES

(London)	US DOLLAR June 12	Previous	STERLING June 12	Previous
$	–	–	1.523	1.5265
DM	2.21	2.122	3.365	3.3775
Yen	165.6	166.3	252.5	254.0
FFr	7.0475	7.05	10.735	10.7625
SFr	1.826	1.8275	2.78	2.79
Guilder	2.4885	2.493	3.79	3.805
Lira	1,517.0	1,520.0	2,310.5	2,320.25
BFr	45.1	45.15	68.7	68.95
C$	1.387	1.3885	2.1175	2.12025

INTEREST RATES

	June 12	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9 11/16
SFr	4⅞	4⅞
DM	4 11/16	4⅝
FFr	7⅝	6⅞
FT London Interbank fixing (offered rate)		
3-month US$	7⅛	7⅛
6-month US$	7 5/16	7⅜
US Fed Funds	6 11/16*	6⅞
US 3-month CDs	6.75*	6.75
US 3-month T-bills	6.28*	6.365

US BONDS

Treasury	June 12* Price	Yield	Prev Price	Yield
7¼ 1988	99 27/32	7.296	99 13/16	7.36
7⅜ 1993	97 1/16	7.925	96 15/16	7.981
7⅝ 1996	95 11/16	7.983	95 [illegible]	8.05
7¼ 2016	94 11/32	7.681	94⅝	7.754

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	June 12* Day's change	Yield	Day's change
1–30	148.28	+0.73	7.96	–0.08
1–10	142.16	+0.43	7.78	–0.07
1– 3	134.82	+0.15	7.46	–0.04
3– 5	143.82	+0.46	8.01	–0.09
15–30	170.36	+1.78	8.56	–0.11

Source: Merrill Lynch

Corporate	June 12* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	90	6.74	90	6.74
SCBT South Central 10⅞ Jan 1993	104⅞	8.65	104⅞	8.65
Phibro-Sal 8 April 1996	94.165	8.5	94.165	8.9
TRW 8⅜ March 1996	99.33	8.85	99.33	8.85
Arco 9⅜ March 2016	101	9.77	101	9.77
General Motors 8⅛ April 2016	88⅝	9.25	88⅝	9.25
Citicorp 9⅜ March 2016	95½	9.7	95½	9.7

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	94-01	94-13	93-04	93-25
US Treasury Bills (IMM) $1m points of 100%				
Sept	93.85	93.90	93.76	93.80
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.21
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.96	92.98	92.91	92.92
20-year Notional Gilt £50,000 32nds of 100%				
June	121-03	121-00	120-27	120-22

* Latest available figures

TOKYO

Record rise tempered by anxiety

CONCERN over the recent rapid increase in share prices pulled Tokyo back from a sbarp rise early in the session yesterday althougb the day closed at a record, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average rose 106 at one stage but fell back to close 34.77 points up at a peak 17,131.22. Volume was 808.74m sbares, compared with Wednesday's 986.83m, much of which was generated in the morning. It shrank sharply in the afternoon from the morning's estimated 560m shares, however, as many investors moved to the sidelines. Gains outstripped losses by 458 to 408, with 129 issues uncbanged.

Despite the uncertain outlook for foreign exchange and interest rates and growing anxiety over recent price rises, cash-ricb investors continued to buy. Some expected a revival of last Marcb's bull market, wben institutional purchases of domestic demand-related issues were dominant.

Early in the session, investors sought property, non-life insurance and railway shares. But their enthusiasm was dampened in the afternoon, said one analyst, because the speed of price increases for these issues was unexpectedly slow.

Among favoured domestic-demand stocks, Mitsubishi Estate rose Y40 at one stage but closed Y20 down at Y2,050. Nippon Express added Y22 to Y867, Tokyu Y37 to Y958 and Kelhin Electric Express Railway Y60 to Y768.

Among financials, non-life insurances were sought as they were regarded as laggards. Tokio Marine and Fire Insurance gained Y20 to Y1,360 and Taisbo Marine and Fire Insurance Y8 to Y805.

Some large and medium-sized securities bouses gained ground. Nikko Securities climbed Y30 to Y1,200 and Wako Securities Y70 to Y1,220.

Tokyo Gas topped the list of active stocks for the fourth day running with 38.75m sbares changing bands. The stock rose Y13 but finisbed Y2 down at Y448.

Issues with hidden incentives were spotlighted in the afternoon. Tokuyama Soda advanced Y28 to Y540 on stronger demand for semiconductor materials. Jaccs benefited from higber earnings due to lower interest rates and rose Y44 to Y515.

The bond market weakened as banks and securities houses, whicb had built up their inventories while the market was climbing, unloaded some of their boldings.

The yield on the bellwether 8.2 per cent government bond due in July 1995 rose to 4.725 per cent from Wednesday's 4.885 per cent.

SINGAPORE

A BOUT of increased selling in the afternoon led prices to close broadly lower in active trading, and the Straits Times industrial index ended 6.05 down at 703.56.

Among actives Selangor Properties gained 5 cents to S$1.15 while Haw Par lost 6 cents to S$2.67.

Promet lost ½ cent to 43.5 ceots, and UOL was steady at S$1.11.

Hotels, properties and commodities were mixed in selective active trading.

Some profit-taking was apparent among investors wary of the market's recent gains in the absence of fresb factors.

CANADA

ACTIVE TRADING took industrials and metals and mines higher in Toronto but left oils and utilities trading lower.

Among industrials Rogers Communications Class B traded C$2⅜ up at C$26¼ while in the metals and mining sector Alcon added C$⅞ to C$43⅞.

Golds, bowever, traded lower, with Campbell Red Lake down C$½ to C$22, and among oils Dome Petroleum lost 4 cents to C$1.38.

In Montreal industrials were largely unchanged while utilities were generally lower.

EUROPE

Mixed mood brings some firmness

A MIXED bag of European bourses ended yesterday on a generally firmer note although some, notably Milan, closed sbarply down.

Frankfurt, whicb has been unsettled recently ahead of local elections, closed higber on optimism that the ruliog Christian Democrats would win Lower Saxony at the weekend. The Commerzbank index put on 80 to close ot 1,977.2.

Banks recovered some of their losses earlier this week caused by renewed worries over Mexico's debt. Deutsche added DM 9.50 to DM 803 while Dresdner and Commerzbank each rose DM 4 to close at DM 427.50 and DM 322, respectively.

Among insurers Allianz added DM 83 to DM 2,488.

Retailers also made good progress, with Kaufhof up DM 25 to DM 475 and Karstadt DM 21 to DM 342.

Motor manufacturers shrugged off earlier exchange-rate uncertainties and followed the firmer trend. Daimler was DM 39 up to DM 380, BMW DM 7 to DM 572 and VW DM 6 to DM 543.

Chemical stock Bayer, whicb weakened on Wednesday, firmed DM 3.80 to DM 304 while BASF continued to rise, adding DM 2 to DM 285, as did Hoecbst, up DM 1 at DM 273.

Among electricals Siemens added DM 9.50 to DM 833 and AEG DM 4.40 to DM 330.

Bonds fell in moderate trading on Bundesbank warnings that official interest rates were unlikely to be cut in the near future.

The Bundesbank bought DM 73.8m worth of domestic paper, up from DM 8.3m on Wednesday.

Hopes of a stronger dollar as well as news of lower unemployment figures gave an early boost to **Amsterdam.** However, the firmness was not sustained as institutional investors remained on the sidelines.

Akzo belped lead internationals bigher, gaining Fl 1.90 to Fl 169.40 as strike fears receded.

Continuing uncertainty over Mexico's debt also affected Dutch banks, which closed the session mixed. ABN slipped Fl 1 to Fl 578, but Amro and NMB added 70 cents each to close at Fl 107.50 and Fl 205.70, respectively.

Among insurers Aegon rose 80 cents to Fl 111 on news that it had bought a majority stake in a Spanish insurer. Elsewbere, the sector was also firmer, with Amev up 40 cents to Fl 81.30 and NatNed 50 cents higher at Fl 86.20.

Profit-taking belped take **Milan** sharply lower yesterday after Wednesday's gains. The MIB all-share index closed 3.67 per cent down on the day – a fall, bowever, which did not entirely wipe out Wednesday's rise of 5.16 per cent.

Among actives Fiat slipped L400 to L12,400 amid continuing wrangling over its possible involvement in the future of Alfa-Romeo.

Other industrials were also active, including Olivetti, whicb closed L440 down at L15,500 following its L1,190 advance on Wednesday. Pirelli SpA fell L200 to L5,050, and Montedison lost L150 to L2,900.

Some foreign buying helped cushion **Brussels** where the Belgian Stock Exchange index lost 19 to close at 3,504.32.

Banque Bruxelles Lambert, wbich plans a BFr 3.3bn rigbts issue, closed uncbanged at BFr 3,040.

Holdings and electricals were also active, with Tractionel down BFr 250 at BFr 5,280.

Petrofina, the market bellwether, firmed BFr 30 to BFr 8,030

Zurich closed steady to firmer on balance. Among cbemicals Ciba-Geigy bearer added SFr 30 to SFr 3,540, food stock Nestlé was uncbanged at SFr 8,150 and Union Bank added SFr 45 to SFr 5,470.

Quiet trading left **Paris** lower despite news of a reduction in May's inflation rate while in **Madrid** all sectors fell apart from banks, which were generally unchanged. Profit-taking took **Stockholm** lower.

AUSTRALIA

BALANCE of payments data due today led investors to opt for the sidelines in Sydney wbere prices closed easier with the All Ordinaries index down 8.1 at 1,218.6.

BHP gained 10 cents to A$8.84 while Bell Resources was steady at A$4.35 amid market speculation that one of the companies might figure in takeover manoeuvres.

The Bell Group lost 10 cents to A$9.5, Equiticorp Tasman lost 7 cents to A$1.85 and Adsteam fell 20 cents to A$12.80.

Mining stocks were weaker, with Aberfoyle shedding 20 ceots to A$7.90. Bougainville fell 2 cents to A$2.73,

LONDON

LEADING SHARES pulled out of the three-day slide in London early yesterday, but the recovery was unconvincing. The FT Ordinary share index closed 3 up at 1,304.1 while the more broadly based FT-SE 100 index ended up 0.4 at 1,571.8.

The FT indices were around 10 points higher until just before midday, but sentiment was clouded by the state of emergency declaration in South Africa.

Gold mining issues and UK industrial groups with interests in the area reacted nervously, and buyers generally retired to the sidelines.

P & O became unsettled by persistent talk that underwriters of the Stock Conversion offer could attempt to place unwanted stock today, and the shares closed down 5p at 513p.

A slight late easing in money market rates failed to impress either equity or gilt investors, and early gains in government stocks were trimmed throughout the afternoon.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38–39

SOUTH AFRICA

PROFIT-TAKING prompted by news of a declaration of a nationwide state of emergency led gold shares to retreat sharply in nervous and confused Johannesburg trading.

Vaal Reefs closed R13 lower at R223, but Gold Fields of South Africa, against the trend, rose R1.25 to R45 while Southvaal ended down R6.50 at R107.

In diamonds De Beers fell R1 to R28 while among platinums Impala was down 25 cents to R34.75 and Rustenburg Platinum 75 cents to R35.

Among banks Nedbank fell 18 cents to R6.04, wbile Barclays was steady at R19.5.

HONG KONG

EARLY GAINS were eroded in volatile Hong Kong trading, and the Hang Seng index closed up 1.43 at 1,752.79.

Hutcbison Whampoa rose 40 cents to HK$28.80 while its parent Cheung Kong added 10 cents to HK$20.10. Swire Pacific and its Cathay Pacific unit were unchanged at HK$11.80 and HK$5.40, respectively.

Hongkong Telepbone, one of the few issues to show clear movement, lost 30 cents to HK$11.90 as rumours faded that the company olanoed a corporate restructuring involving its parent, Cable & Wireless.